FROZEN FOOD PRICE SPREADS

(Orange Juice Concentrates)

UNIVERSITY OF MICHIGAN
OCT
MAIN
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HEARING

BEFORE THE

SUBCOMMITTEE ON CONSUMERS STUDY

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

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(Orange Juice Concentrates)

WEDNESDAY, JULY 23, 1958

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSUMERS STUDY,
OF THE COMMITTEE ON AGRICULTURE,
Washington, D. C.

The subcommittee met at 10 a. m., pursuant to notice, in room 1310, New House Office Building, Hon. Victor L. Anfuso (chairman of the subcommittee) presiding.

Present: Representatives Anfuso (presiding), Jennings, McIntire, and Dixon.

Also present: Representatives Matthews, Haley, and Herlong.

Mr. ANFUSO. The committee will come to order.

I am very happy that my distinguished colleagues, Congressman Haley and Congressman Herlong, have joined us. This committee has the highest respect for these two gentlemen and we value the views they may have which I am sure will contribute to these hearings.

Of course, we are mighty happy to have a member of our own committee—not a member of the subcommittee but a member of the full committee, Congressman Matthews, with us.

I should like to say before introducing the first witness that this subcommittee is not engaged in a fishing expedition and has no intention of doing that. We have received some very disturbing information. As a matter of fact, some of it was printed in your own newspaper in Florida, the Tampa Morning Tribune, and we have had many other complaints from housewives throughout the country complaining that the retail price of frozen orange concentrates has almost doubled to what it was a year ago.

As I said, we would like to get the pertinent facts. We do not intend to close the hearings today. We certainly would like to hear from the people who are in it. They are here by invitation.

The first witness will be Mr. O. V. Wells, who is the Administrator of the Agricultural Marketing Service of the United States Department of Agriculture.

This committee is well acquainted with Mr. Wells. He is one of the dintinguished members of the Department of Agriculture. He has the respect of both Democrats and Republicans on this committee, and we are very happy that you could come here, Mr. Wells.

STATEMENT OF O. V. WELLS, ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY WILLARD F. WILLIAMS, HEAD, MARKETING INFORMATION AND STATISTICS SECTION, MARKETING RESEARCH DIVISION, AMS; FLOYD F. HEDLUND, DEPUTY DIRECTOR, FRUIT AND VEGETABLE DIVISION, AMS; AND REGINALD ROYSTON, CHIEF, FRUIT AND VEGETABLE STATISTICS BRANCH, AGRICULTURAL ESTIMATES DIVISION, AMS, UNITED STATES DEPARTMENT OF AGRICULTURE

Mr. WELLS. I hardly qualify in my own right as an expert and I have three people with me, if I might have them come to the table with me.

Mr. ANFUSO. Please do, Mr. Wells.

Mr. WELLS. Mr. Royston is in charge of our Statistics Branch that has to do with citrus; Mr. Williams is in the Marketing Research Division; and Mr. Hedlund is the Deputy Director of our Fruit and Vegetable Division.

I was asked to prepare a factual opening statement. This statement deals mostly with Florida because the greater portion of the orange concentrate comes from Florida, and I am happy to say that a number of Florida industry people and others are here who know more about this undoubtedly than I do.

I think the best procedure is to read the statement.

Mr. ANFUSO. Proceed.

Mr. WELLS. An outstanding postwar development in frozen-food marketing is the rapid expansion in production and consumption of frozen concentrated citrus juices.

The growth of orange concentrate has had a tremendous impact on the Nation's citrus industry. Oranges are now produced in greater volume than any other fruit in the United States. This rise to first rank in recent years has been brought about principally by the production increase in Florida where nearly all of the Nation's supply of frozen concentrated orange juice is produced.

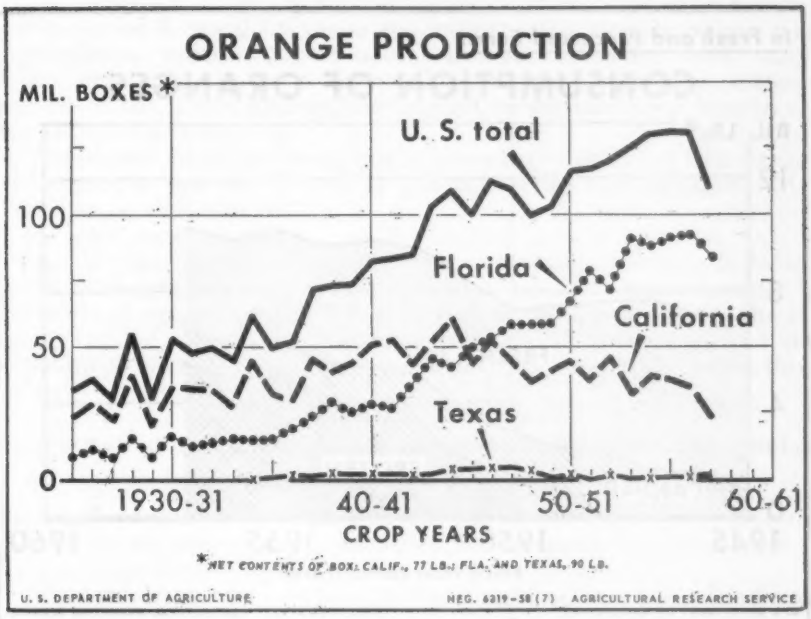
Illustrative of this rapid increase is Florida's upward surge from 25.6 million boxes (90 pounds net weight per box) in the 1939–40 season, when apples were the leading fruit crop, to 93 million boxes in 1956–57 (fig. 1).

(The chart referred to appears on the following page.)

Mr. WELLS. Meanwhile, production in California declined irregularly from more than 60 million boxes in 1944–45 to about 36 million in 1956–57 (fig. 1).

In Florida the outstanding feature in the orange industry, aside from growth, continues to be the shift from a fresh product to a processed product industry. Processing, principally in the form of canned juice, had expanded by 1946–47 to 37 percent of the Florida production. Production in Florida, at this time, had reached 53.7 million boxes, more than double the 1939–40 level. But markets seemed limited and prices received by growers were low. Additional market outlets that would lengthen the marketing season for Florida's rapidly expanding orange supply were needed.

FIGURE 1



There are several charts and tables which I think might be included in the record, but I will not refer to them unless we directly discuss them.

Mr. ANFUSO. They will be included.

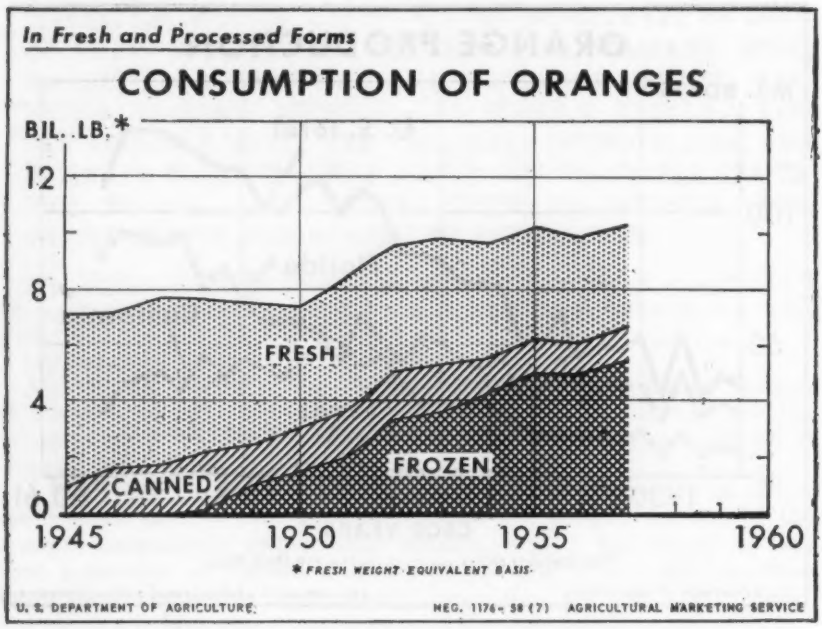
Mr. WELLS. This new outlet was found in the form of frozen orange juice concentrate. The packing of this product on a commercial scale started in the 1945–46 season when about a quarter million boxes were used for this purpose. The change in marketing outlets for Florida oranges is shown by comparing utilization in the 1946–47 and 1956–57 seasons. In 1946–47, when 53.7 million boxes of Florida oranges were produced, 61 percent of the crop went into fresh fruit channels, 36 percent went into canning of single-strength juice and hot pack concentrate, 1 percent went into frozen concentrated juice, and about 2 percent was not harvested.

Ten years later, in 1956–57, when production reached 93 million boxes, only 26 percent of the crop went into fresh market channels and only 15 percent was canned as single-strength juice and hot pack concentrate; 53 percent went into frozen juice concentrate, and 6 percent went into chilled juice. During this 10-year period, the actual quantities canned as single-strength juice and hot pack concentrate declined and quantities sold into fresh market channels remained fairly constant.

In a single decade the frozen orange juice concentrate pack had grown to almost 72 million gallons. By 1957 this outlet accounted for more than one-half the total orange consumption in the United States computed on a fresh weight basis (fig. 2).

(The chart referred to is as follows:)

FIGURE 2



Mr. WELLS. The cost of a serving of orange juice from frozen orange concentrate declined in the 5-year period 1952–53 through 1956–57, while prices paid for a serving from either canned single-strength orange juice or from fresh oranges increased. A 4-ounce serving of orange juice in 1956–57 cost consumers an average of 2.5 cents when prepared from the frozen concentrate product; 2.9 cents prepared from canned single-strength orange juice; and 3.6 cents prepared from fresh Florida oranges.

We have calculations made on the June 1958 prices to compare with those I just read. It cost consumers 4 cents for a serving of frozen concentrates as compared to 2.5 cents for 1956–57; 3 cents for canned single-strength orange juice and 5.9 cents for an equivalent serving prepared from fresh Florida oranges.

It is, also, worth noting that a comparable serving of chilled juice, a product that has been gaining favor recently, cost 4.4 cents in 1956–57, and for June 1958, 5.1 cents.

If you take the frozen concentrate price an average serving which cost 2.5 cents last season has risen to 4 cents this season, a 60 percent increase.

Let me point out to the committee that we are dealing with various statistics none of which precisely fit perhaps what we would most like to measure.

We have, Mr. Chairman, discussed in this paper, in different places, two different series of retail prices for frozen orange concentrate. Those most common recently referred to are the price quotations of the Bureau of Labor Statistics. The BLS in pricing items used in family living in various cities in the United States, prices on a very strict specification basis. Actually their prices are prices for the nationally

advertised brands, excluding special sales. In addition to those prices, however, there are another series of prices derived from some work carried forward by the citrus industry and the Department of Agriculture, which samples actual households asking how much frozen orange concentrates are bought and actual price paid, without regard to the brand and without regard to whether they bought on special sales or not.

The second series is a consistently lower series than the BLS prices, although the ups and downs in the two series run together. Mr. Williams, is that correct?

Mr. WILLIAMS. Yes, sir.

Mr. WELLS. Retail prices of oranges and orange products in recent years have dropped relative to prices of competitive fruits because of the shift of orange acreage to lower cost areas of production, the introduction of improved lower cost methods of processing, and the substantial savings in distribution costs associated with concentrate juice.

PRODUCTION IN THE 1957–58 SEASON AND EFFECTS OF THE FREEZE

The continuing upward trend in Florida's orange production was halted by freezes on December 12 and 13, 1957. Prior to the December freeze the prospective production was estimated on December 1, by the Crop Reporting Board at 102 million boxes.

Mr. MCINTIRE. Do you have at hand right at that point the figure as to what was the estimated production the year before? In other words, here is the 102 million boxes. What was it for the year before?

Mr. WELLS. 93 million, I believe. We will check that.

Mr. MCINTIRE. What I was wondering about was the position here. Had there not been the freeze what would have been the trend?

Mr. WELLS. The trend has been strongly upward. It was 93 million boxes for the year previous. Mr. Royston tells me that is correct.

Mr. MCINTIRE. Upward in production?

Mr. WELLS. We had a strong upward production trend in Florida. You can refer back to the first chart.

Mr. MCINTIRE. All right. Thank you very much.

Mr. WELLS. Following the December freeze, this estimate was reduced to 80 million boxes. Let me say it is 2.5 million boxes being estimated today.

The extent of the loss was uncertain at that time as losses were partly dependent on the extent to which damaged fruit could be salvaged for processing. Salvage operations, in turn, were influenced by regulations promulgated by the Florida Citrus Commission with respect to quality and allowable damage in fruit to be used for frozen concentrate. Greater damage tolerances were permitted for fruit to be used for canning of single-strength juice than for the making of frozen concentrate. While salvage operations for processing were getting underway, a shipping embargo and holiday were put into effect on fresh fruit in Florida from December 17–30.

All Florida citrus fruit packed and shipped to market or received at processing plants is inspected by Federal-State inspectors under

terms of a cooperative agreement between the Florida Department of Agriculture and the United States Department of Agriculture.

This past season cutting tests were made on samples of all lots of oranges to determine the amount of damage from dryness or mushiness caused by freezing. This made it possible for packinghouse operators to decide whether the damaged fruit could be graded out so the lots could be packed and shipped fresh or whether the amount of such injury made it necessary to send the lots to a processing plant.

This service kept the freeze damaged lots of fresh fruits out of the channels of fresh trade so well that the confidence of the terminal buyers was maintained and the consuming public was protected. At the same time, the canned juice and frozen concentrate also were subject to continuous inspection. The frozen concentrate was required to meet minimum standards for shipment.

Although there were more subfreezing temperatures in early January and on February 5, 1958, these apparently had no marked effect on the final production. Most of the loss was caused by the low temperatures of December 12 and 13. Actually, the Crop Reporting Board's February 1 estimate was for a crop of 85 million boxes, 5 million more than estimated as of January 1. This increase in the estimate was largely the result of conditions which were favorable for the salvaging of damaged fruit for frozen concentrate and for canning. Continued cool weather retarded the deterioration of damaged fruit and thereby enabled growers to salvage more fruit. On the basis of check data on July 1 when harvesting and marketing were virtually completed, actual production amounted to 82.5 million boxes.

If the prefreeze estimate of a prospective crop of 102 million boxes was correct, the loss of Florida oranges from freeze damage was 19.5 million boxes or nearly one-fifth of the prefreeze prospective supply. At the same time, the supply of California navel oranges, which are marketed within the same period as Florida oranges, was reduced by hot weather and strong winds and was the smallest since 1921–22, amounting to only 9.3 million boxes compared with 15.4 million in 1956–57. The short supply of California navels, in addition to a drop in the California Valencia crop from 20.5 million boxes in 1956–57 to 14 million in 1957–58, undoubtedly helped to increase prices of Florida oranges and orange products.

I think this drop in the California orange production has been generally overlooked because the freeze damage in Florida was rather spectacular and very close to us.

As the result of freeze damage, a larger than usual part of the 1957–58 Florida orange crop was processed. It appears that 78 percent of this crop was processed, compared with 73 percent for the previous season's crop.

Fresh use dropped from 27 percent to 22 percent. On the basis of nearly complete check data it appears that slightly more than 44 million boxes were used from the 1957–58 crop for frozen concentrates compared with nearly 49 million boxes in the previous season.

But the reduction in the volume of frozen concentrate was greater than the reduction in number of boxes of fresh fruit used for this purpose, because the yield of juice per box of fruit was 11 or 12 percent less in 1957–58 than in 1956–57.

The pack of frozen orange juice concentrate from the 1957–58 crop probably will be about one-fifth less than the previous season, or be-

tween 57 and 58 million gallons compared with 72 millions in 1956–57. The pack of canned single-strength juice is expected to be about 6 percent more than in 1956–57, but the pack of canned (hot pack) concentrate will be about 36 percent smaller.

The problem of forecasting production for the next few years is complicated by freeze damage to trees and the effects of this damage on future producing capacity of trees of all ages. Prior to the freezes of last winter, Florida had approximately 31 million orange trees of all ages in commercial groves. Of these, 24.3 million or 78 percent were of bearing age, 4 years and older, with a substantial proportion, 28 percent, 4–9 years old. Twenty-two percent, or 6.8 million trees, were less than 4 years old, and were not of bearing age. Normally, a substantial number of these nonbearing trees would have been coming into bearing during each of the next 3 years to augment the number of trees in production. Also, orange trees are long lived and do not reach peak production until 25 years or older. The strong upward trend in production, therefore, was expected to continue for several years.

Mr. DIXON. Are not the younger trees more subject to winter kill than the older ones?

Mr. WELLS. Yes. We come to that on the next page, Congressman Dixon.

Although the effect of last winter's freeze on future production has not yet been fully determined, it is evident, on the basis of a survey made in late April 1958, that the upward trend has been temporarily halted. This survey, consisting of a sample of more than a half million trees selected from approximately 170,000 rows of citrus trees fronting on about 1,500 miles of roads throughout the major citrus-producing areas of the State, showed the following effect on orange trees.

You will note, Congressman Dixon, that of the trees bearing, 2 percent were apparently killed. There was 16 percent of the trees not of bearing age apparently killed, 44 percent extensively damaged. Twenty-eight percent of the trees were not of bearing age, and 72 percent of bearing age.

Mr. DIXON. Those of bearing age were hurt least?

Mr. WELLS. Yes. You will note the 75 percent of the trees of bearing age had very little damage compared with 36 percent of those not of bearing age.

[Percent]

Degree of freeze damage	Trees of bearing age	Trees not of bearing age
Apparently killed	2	16
Extensively damaged	16	44
Moderately damaged	7	4
Very little damage	75	36

The bloom for the 1958–59 crop (harvest of which usually starts in late October) was late but was heavy on trees not damaged by last winter's freeze. The set and size of fruit on these trees are excellent. Growing conditions during the spring were favorable. Condition of the 1958–59 crop on July 1, 1958, was reported by growers at 57 percent compared with 77 percent on July 1, 1957, and the 10-year (1947–56) average of 76 percent on July 1.

It is more difficult than usual to interpret this relatively low condition of 57 percent in terms of prospective production. This difficulty is always encountered following severe freeze damage to trees. It will not be possible to evaluate production prospects for the 1958–59 season until additional surveys, including fruit counts and measurements for randomly selected groves and trees and reports on prospective production from individual growers, are made in September just prior to the first forecast of production as of October 1.

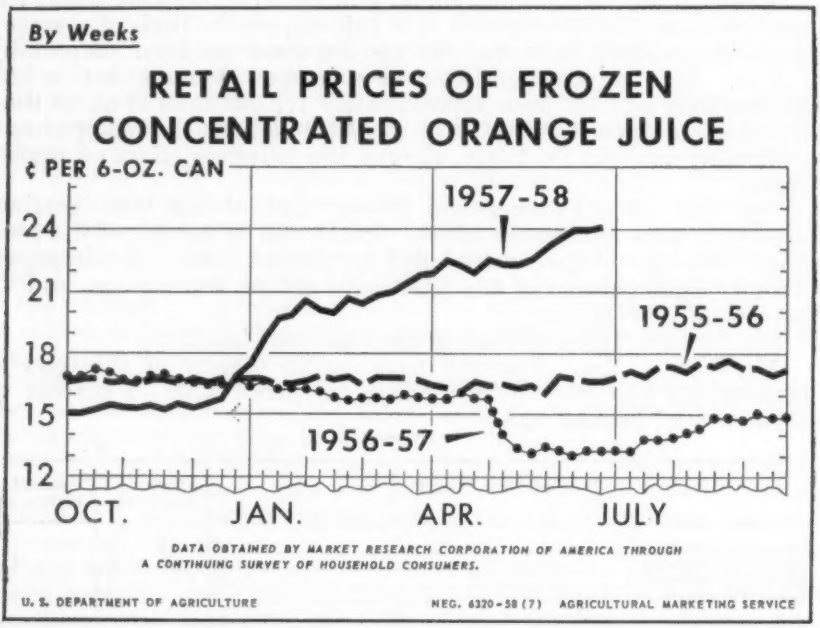
PRICES AND MARKETING MARGINS

Economic conditions in the orange concentrate industry have changed radically during the past 2 years. A relatively large carryover into the 1956–57 season combined with a record pack of orange concentrate caused prices of oranges for processing and of orange concentrate at all levels to drift gradually downward through the season.

Retail prices, as obtained by USDA from a nationwide sample of householders, dropped sharply in May and remained low until after the end of the processing season (fig. 3).

(The chart referred to is as follows:)

FIGURE 3



Mr. WELLS. May I call your attention to the chart, figure 3? I think it is of considerable relevance.

Let us go back to the 1955–56 season which was a very stable season. You will note the heavy dotted line which runs through the center of the chart—this is the average price paid by householders for all kinds of frozen orange concentrate purchased in 1955–56. The 1956–57 season you will note was marked by a sharp drop in retail prices in May.

So the 1957–58 season started with retail prices at a fairly low level which continued until the freeze in December.

You will note on the solid line for 1957–58 you can date the time of freeze by the upturn in the retail prices which have continued to date. I think it is of some help to recognize the stable nature of the 1955–56 prices, the price drop in 1956–57 and the effect of the freeze last December—a development which radically changed the situation overnight.

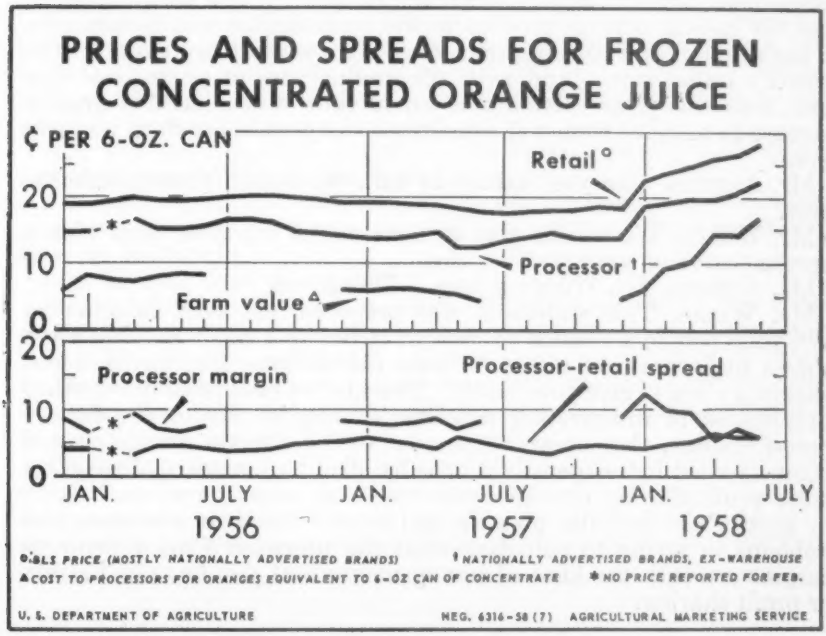
The Florida orange industry entered the 1957–58 season with stocks of frozen orange concentrate on hand only slightly smaller than those of a year earlier and forecasts of another record high production of oranges. Grower prices of oranges for processing and frozen orange concentrate prices at all levels in channels of distribution, including retail sales prices, were moderately lower at the beginning of the current processing season than at the beginning of the previous season.

The freeze sharply reversed conditions. Retail prices began to rise immediately after the freeze, with a sharp rise occurring from the third week of December through January. Based on the Department's survey data retail prices rose an average of 4 cents per 6-ounce can from the third week of December to the end of January. Thereafter, they continued upward irregularly with an additional rise of about 4 cents by the end of June (fig. 3).

Midmonth retail prices reported by BLS, representing mainly nationally advertised brands of frozen orange concentrate, followed the same general trends of the weekly prices obtained by USDA from the nationwide sample of household consumers (fig. 4). Prices received by processors and prices paid to growers for oranges used for concentrating soon followed the upward trend of retail prices (fig. 4).

(The chart referred to is as follows:)

FIGURE 4



Mr. WELLS. Will you turn to figure 4 briefly.

Let us look at the upper section of figure 4. The data cover 1956, 1957, and 1958 to date.

First of all, the average retail price of the 6-ounce can of orange concentrate is the average price as reported by the BLS. Our reason for using those statistics is because the wholeslae price which we get from trade sources is, we think, substantially comparable to the BLS price and is not necessarily comparable with the somewhat lower average price of the USDA series.

Next, we have taken from trade sources the best wholesale price we can get, in other words, what the processor sells his concentrate to the retailers for, as we can get and have charted that. And finally, we have charted the farm value of the fresh fruit during the months when most of it moves into orange concentrate.

Then in the lower half of figure 4 we have taken the difference between the farm value and the processor or wholesale price, which is this irregular upper line measuring the processing margin. The difference between wholesale prices and the retail price which is measured by the lower solid line, this is our best measure of the average retail margin.

These, Mr. Chairman, were the best calculations that we could make of concurrent margins between fresh-fruit prices, processor-wholesale prices, and retail prices for the standard nationally advertised brands.

In interpreting these prices in some of the statements which follow we should remember that these are concurrent comparisons—this month's fresh-fruit price, this month's processor price, this month's retail price.

If you want to try to estimate the distribution of the consumer's dollar for this year's pack, what you would really need are season average calculations. But in discussing pricing policy I think most people base their prices on current conditions. It is a fact, of course, that the grower sells his product to the concentrator who in turn sells to the retailer, and consumption takes place several months after the grower's initial sale. And with the gradual rise in prices over this time, season average calculations would show a considerably greater increase in margins than will concurrent comparisons such as we have here.

Mr. ANFUSO. Can you furnish us with the season average calculations?

Mr. WELLS. We will be glad to have one of our men work with a representative of your staff on this.

Mr. ANFUSO. Dr. Wilcox is here. Thank you.

Mr. WELLS. This statement was prepared last week in order to give your people a chance to look at it before I made it. We have done a little work on season to date calculations, but we have not reached a place to give you results. This kind of a calculation is further complicated in interpreting processor's margins due to the fact, I should suspect, that about 60 percent of the Florida orange crop is either handled by cooperatives or is handled by commercial concerns under profit-sharing arrangements where as prices go up and down the grower's return also goes up and down. So there are some real problems in trying to calculate what the processor's net returns or margins are with the kind of arrangements that you have in Florida for profit sharing.

Mr. McINTIRE. In that lower part of the chart it is interesting to note the processor margin, if I interpret that correctly, beginning in January of 1958, seems to have reached a peak and then the processor retail spread and the processor margin seems to come together down there. Could you give me a layman's interpretation of why they come together?

Mr. WELLS. It is purely accidental. These calculations are simply differences between prices at selected levels, the average price which we collect, paid to the grower, then we have tried to get a price, a representative price of orange concentrate for the nationally advertised brands at wholesale which is a commercial price series and, finally, we have taken the BLS retail prices.

The chart indicates the processor's margin was very high for the first 2 months of the season and then moved gradually down to much lower than it was in the preceding season. The comparison is with the two preceding seasons rather than the retailer's margin, although the chart does show they take about the same number of cents at retail today. Again in discussing the farmer-processor spread we have to remember that there are a whole series of profit-sharing arrangements in the Florida business where the growers get part of the benefit when prices go up and vice versa. What we try to measure here is the classical operation of the grower selling outright to the processor and the processor to the retailer. And two-thirds of the Florida orange business does not move that way.

Mr. McINTIRE. I wondered as to this rise of the farm value figure, about the first of January?

Mr. WELLS. Grower's prices did not rise as precipitously as processor prices. You can see that the processor's price went up faster than the farmer's, the first month.

If you look at the upper chart the processor retail prices took an immediate jump after the freeze and it took the grower prices a little longer to climb that high.

Mr. McINTIRE. That is because of the fact that the processor is buying fruit and it moves along to the point of retail, with a time factor in there. Does this line here that you have labeled "Processor margin," from January 1958, down there for 2 or 3 months, mean that the farm price caught up a little faster?

Mr. WELLS. Yes, that is right. The farm prices caught up and gradually pushed the margin down.

Mr. McINTIRE. And the margin that the processor would normally have had in here in a normal period was narrower because he paid more to the farmer?

Mr. WELLS. That is correct.

Mr. McINTIRE. This would, after further extension of this chart, probably show a processor margin, as soon as adjustments were made?

Mr. WELLS. We need to get a season average calculation weighted by the amount of product to really know how the processor came out. Uncertainties held the grower prices down in December, blending required forced higher prices later.

Further saying about 60 percent of the growers' fruit is handled by cooperatives, or handled by commercial concerns which have profit-sharing arrangements with the grower. So when final settlements are made a part of the processing margin as shown on the chart also

goes back to the grower. We are just using the actual prices that would be paid to the person selling outright.

Mr. McINTIRE. Would it be fair to interpret this chart here, January to July, or to June, I would say, that at least the extent to which these lines could be interpreted, that there was the normal adjustment of the factor of supply, the processor's margin, that there is no rigidity in here in which any element has taken by virture of this chart, any advantage at that moment by what he feels that the situation is going to be a little bit later, the free play of market occurs here, the farmers got some increase, the processor margin was put down momentarily until it could be adjusted to a new inventory, a new supply going in at higher prices, but there is no rigidity showing up so far as that is concerned?

Mr. WELLS. That would be my interpretation of it.

Mr. McINTIRE. Thank you.

Mr. WELLS. It was a very fast adjustment.

Mr. McINTIRE. Yes.

Mr. WELLS. And you have to remember the profit-sharing arrangements which were involved. These are simply concurrent prices for the kind of commercial operation which represents not more than about 40 percent of the Florida orange crop.

Some divergence in the upward trend of retail, processor, and grower prices, as shown in figure 4, were soon reflected in the processors' margin. The processor-retail price spread also was affected.

The processor margin reported on here is the difference between prices received by packers for 6-ounce cans of nationally advertised brands of concentrate at the terminal markets and prices received by growers for the quantity of oranges equivalent to a 6-ounce can of concentrate. Grower prices were computed from Florida Canner's Association data and adjusted for varying yields of juice from the fruit. However, they do not include returns from profit-sharing plans or returns received by cooperative pooling arrangments which are described later.

The processor sales prices used are the commonly reported ex-warehouse prices for nationally advertised brands as reported by Quick Frozen Foods magazine.

Processor selling prices of nationally advertised brands average several cents higher than prices received for other brands. Thus, although the data reflect changes that have taken place, the processor margin, shown in figure 4, is at a higher level than for all concentrate.

The processor-retail price spread is the difference between prices paid by consumers as reported by the Bureau of Labor Statistics for 6-ounce cans of nationally advertised brands and the prices received by processors as described earlier, i. e., ex-warehouse prices of nationally advertised brands. Accordingly, the processor-retail spread referred to also is for nationally advertised brands.

Although this excludes a substantial portion of the concentrate supply moving through retailers' hands, the data presented are considered the best available average indications of recent changes in margins or price spreads.

The processor margin rose sharply during December and January, averaging 10 to 12 cents per 6-ounce can compared with 7 to 8 cents a year earlier.

Prices received by processors during this period rose faster than prices paid to growers and at a rate about equal to the increase in retail prices. The processor-retail price spread, consequently, remained relatively constant during December and January.

Retail prices as reported by BLS increased to more than 26 cents per 6-ounce can in May 1958 compared with about 19 cents in May 1957. From February to May 1958, however, prices received by processors increased at a slower rate than either retail prices or prices paid to growers. The results were a sharp drop in the processor margin to below year earlier levels and a gradual rise in the processor-retail spread.

Retail prices of frozen orange juice and of canned (single strength) juice have diverged sharply in the current season. Prices of the canned product dropped along with prices of concentrate during 1957, but in the current season canned juice has registered only modest price increases. Quality tolerance of canned juice is lower than for concentrate. Preliminary estimates show that the 1957–58 pack of canned single-strength juice was moderately larger than in the previous year.

Most of the increase in retail prices of frozen orange concentrate, according to the above estimates, has been reflected in higher prices to producers for fruit acquired since the freeze.

It must be remembered, however, that the prices mentioned and shown in figure 4 are concurrent prices; i. e., prices at all levels are those paid or received during the months indicated. All types of firms in the marketing system with stocks of concentrate on hand at the time of the freeze in December, of course, were in a position to enjoy windfall gains just as they suffered losses when prices declined sharply in May last year. Similarly, processors who had contracted with growers for fruit early in the season, as well as growers, through cooperatives and profit-sharing arrangements, had wider margins than those indicated in figure 4.

STOCKS, DISAPPEARANCE AND CONSUMPTION

Stocks of orange concentrate held by processors totaled about 11.6 million gallons in the first week of December 1957 as compared with 12.8 million a year earlier.[1]

During the months following the freeze in December, Florida oranges moved to the concentrate outlet at a faster rate than during the same period a year earlier. But as a result of lower juice yields production of orange concentrate proceeded at about the same rate as in the two previous seasons. This was true into May of this year when supplies of oranges for processing were virtually depleted. Last year the production of orange concentrate continued at a rapid rate up into July, thus accounting for the larger pack last year.

Disappearance from processors' stocks from November last year through May this year also proceeded at about the same rate as in the two previous seasons. By the last week of May 1958 processors had moved 41.1 million gallons of concentrate since the beginning of the season, about the same as during the previous season and slightly more than in the 1955–56 season. The result is that stocks of con-

[1] All references to processors' stocks and disappearance from processors' stocks are based on data distributed regularly by the Florida Canners' Association.

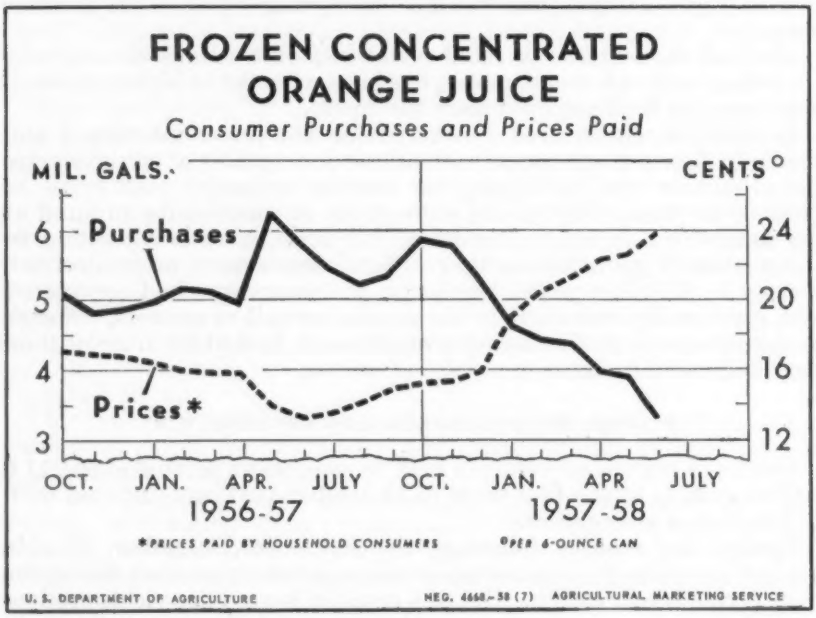
centrate in hands of processors in May 1958 were about the same as in the two previous seasons. Stocks on hand began to drop sharply, however, after mid-May this year in comparison with earlier years because production dropped sharply while the processed supply continued to disappear into the distributive trade at a rate only moderately under the 1956–57 level. By June 21 this year, processors' stocks were 26 percent under those of about the same date in 1957.

The rapidly increasing prices appear to have had a somewhat greater effect on sales by retailers than on processors' sales. Household purchases of orange concentrate during the period October to July this past season were 24 percent less than a year earlier, according to the household survey data of the Department of Agriculture.

Consumption dropped gradually through the season this year as retail prices progressively increased (fig. 5).

(The chart referred to is as follows:)

FIGURE 5



Mr. WELLS. Prices have risen, however, at a faster rate than consumers have reduced their purchases. In June this year consumption of orange concentrate was 44 percent less than in June 1957, but retail prices this June were 80 percent higher. This may not accurately reflect the ultimate reactions of consumers to the higher price levels. Consumption may continue to drop even after retail prices have leveled off.

With sales by processors apparently holding relatively steady at levels of a year earlier and with sharp reductions in the level of household consumption, it would appear that retailers and others in the distributive trade have greatly increased their inventories.

However, the data indicate that the buildup in inventories of the retail sizes of frozen orange concentrate beyond the processor level

during January–July this year was only moderately larger than the buildup last year. Stocks of concentrate in bulk this year were exceptionally large. The disappearance of concentrate in bulk also is much greater this year than last but much of this disappearance is accounted for by reprocessing and by increased use of the bulk product for chilled juice, blended juices, and exports.

Total disappearance of retail and institutional sizes through June this year from processors' stocks was 18 percent less than during the same period last year; the disappearance of retail sizes alone was down 16 percent. At the same time, there was a drop, as mentioned earlier, of 24 percent in consumer purchases of frozen orange concentrate through June from the level of total consumer purchases during the same period in 1956–57.

It should be remembered that the processing season ended earlier this year than last and that current stocks must be used to supply consumer needs for most of the remainder of this calendar year. Perhaps the carrying of the stocks to run to the end of this calendar year is being assumed in part by the distributive trade rather than the stocks being held by the processor; in other words, there is only so much juice, it has to run until the new crop comes in and it looks to us as though the distributive trade has taken much of it out of the hands of the processors.

Mr. McINTIRE. Is it fair to, also, draw the conclusion and make the observation that for constructive work in this situation an interest in processing to get salvage out of this crop built up this processing proportionately in the earlier part of the season?

Mr. WELLS. Yes. The people from Florida can tell you better than I about the inventory holding of bulk juice in the earlier part of the season. I think the salvage operation was an outstanding operation.

Mr. McINTIRE. Yes; I think so.

Mr. WELLS. And one where, let us say, in all fairness the concentrate had to meet a double-quality standard. The Florida Citrus Commission sets certain standards. The Agricultural Marketing Service also maintains continuous inspection to see that the product meets our United States standards. But the salvage operation was an outstanding operation and it was essential to move fast.

I should say the following section is chiefly based upon various trade sources and publications and we have tried to give the particular references with respect to various statements, so you will know where the information came from.

STRUCTURE AND ORGANIZATION OF THE INDUSTRY

Large firms account for a sizable proportion of the production of frozen foods. According to 1954 census data, 40 percent of the shipments in the frozen fruit and juice industry was accounted for by the 4 largest firms. About 52 percent of the total shipments of frozen vegetables was made by the 4 largest firms.[2]

Available data point to somewhat higher concentration of shipments in the frozen orange concentrate industry. The total number of firms in the industry has varied from about 18 to 24 in recent years. Of the 65 million gallons of orange concentrate produced in 1953–54,

[2] Concentration in American Industry, Report of the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, U. S. Senate, U. S. Government Printing Office, 1957, p. 42.

according to one source, about 50 percent was produced by 3 firms, and 70 percent was accounted for by 7 firms.[3]

Two firms in the 1956–57 season, according to information from trade publications, produced 40 percent or more of the 72 million gallons produced in Florida that year.[3]

Of the remaining firms, most usually produce less than 5 million gallons annually; a number produced 2 million gallons or less.[4]

Five of the Florida orange concentrating firms are organized as producer cooperatives. In the 1956–57 season, these 5 firms produced an estimated 16 to 17 million gallons of frozen orange concentrate, accounting for almost a fourth of the total production in Florida. Trade estimates indicate that these firms accounted for a somewhat larger part of the 1957–58 production.[5]

The cooperatives control the marketing of the fruit delivered by their members. Generally, cooperative grower members do not receive payment for fruit delivered to cooperatives until after it is sold in either fresh or processed form. Payments to grower members of cooperatives are made through various kinds of pooling arrangements in which the returns are calculated on the basis of the various growers shares in the proceeds from sales of a fresh fruit pool or a processing pool less, of course, certain expenses incurred by the association.[6]

Somewhat akin to the cooperative principle as a technique for sharing risks, reducing buying costs, and assuring processors of a supply of fruit are the so-called grower participation plans between growers and privately owned or operated porcessing firms.

Under these plans the processor and grower enter a contract whereby the processor agrees to pay the grower a certain percent of the market price for oranges on delivery and the remainder after sale of the finished product. Thus, the grower shares in the profits from sales of the fruit in processed form and also assumes much of the risk associated with price changes.

Profit and risk sharing plans and pooling arrangements are popular in Florida even among non-cooperative-type firms. Several processors in Florida own large acreages of oranges and, in some instances, fruit from these processor-owned groves is included in pooling arrangements or participation plans. It is estimated that in the 1955–56 season 64 percent of the oranges purchased in Florida for concentrating were acquired under so-called no-price arrangements; that is, under various types of participation plans including those of cooperatives and of proprietary handlers, in addition to receipts from groves owned by processors.

The remainder, 36 percent, was sold either under a contract price arrangement of one type or another or under some type of spot-purchase price arrangement.[7]

This is the reason I said our previous chart did not represent more than 35 or 40 percent of Florida oranges sold for frozen concentrate, Mr. McIntire.

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[3] William T. Wesson, Possibilities of Futures Trading in Florida, Marketing Research Report No. 156, U. S. Department of Agriculture in cooperation with Florida Experiment Station, p. 13.

[4] Estimates of expected production by firm are presented in Quick Frozen Foods, January 1958 issue, p. 36.

[5] Quick Frozen Foods, January 1958, p. 36.

[6] J. K. Samuels and W. F. Hoofnagle, Acquiring Citrus for Concentrating by Processors in Florida, U. S. Department of Agriculture, Miscellaneous Report 173, May 1953.

[7] Computed from weekly figures in the Year Book, Season of 1955-56, Florida Canners' Association, pp. 95A and 95C.

Mr. McINTIRE. Thank you.

Mr. WELLS. A grower cooperative recently was organized in Florida to serve as the supply unit of one of the largest processing producers of frozen orange juice concentrate. The fruit furnished by the cooperative is processed for the cooperative's account, and all proceeds above the cost of processing and marketing will be returned to the growers less a fee limited to 7 percent of net sales.[8]

In effect, this processor has freed his working capital that was tied up in inventory. Some other processors have similar arrangements.

Fragmentary data on profits, as reported by Moody's and as supported by industry trade reports such as Quick Frozen Foods, indicate that the orange concentrating industry has not been a highly profitable one in recent years.

Some companies suffered severe losses last year. Wide variations from year to year in profits of concentrators also are indicated. It is partly for this reason that many concentrators have searched and found means of shifting to producers risks arising from varying prices and margins. The desire to shift economic risk largely accounts for the popularity among concentrators of producer participation plans.

The risks and uncertainties in processing are great. Concentrators are faced with a processing season of 6 to 9 months and the necessity of carrying large inventories through much of the year. These require large investments in plant capacity and working capital.[9]

The prospect of an unusually large crop such as that expected early last fall could result in heavy losses on inventories.

On the other hand, a sudden drop in expected production such as that caused by the freezes in December 1957 introduces uncertainties at various levels. The total production of orange concentrate that could be realized from the damaged crop this year could not be estimated accurately. There is always a question concerning how consumer purchases will respond to retail prices higher than those which had prevailed in earlier seasons.

To date I think that the citrus industry has been surprised the way that consumer purchases have been maintained.

An additional uncertainty involves the effects of a freeze, such as the one this year, on production next year and in subsequent years. Under present conditions in Florida, producers bear a large portion of the price risks as well as of the production uncertainties. They enjoy some of the fruits of price increases, as during the current season, but they also bear much of the loss associated with price reductions.

[8] From The Road to Profit, a brochure issued by the Florida Orange Marketers, Inc., in 1957, pp. 7-8.
[9] See H. Wayne Bitting, New Developments in the Frozen Food Industry, A Study of Capital Requirements, Marketing Research Report No. 236, U. S. Department of Agriculture, May 1958.

(The tables are as follows:)

TABLE 1.—*Orange production, 1925–57*

[In million boxes]

Crop year	Florida [1]	California [1]	Texas [1]	United States [2]	Crop year	Florida [1]	California [1]	Texas [1]	United States [2]
1925	9.5	24.2	[3]	34.1	1942	37.2	44.3	2.6	85.1
1926	10.1	28.3	[3]	38.7	1943	46.2	52.0	3.6	103.1
1927	8.6	22.7	0.1	31.9	1944	42.8	60.5	4.4	109.2
1928	15.0	39.2	.1	54.7	1945	49.8	44.0	4.8	100.2
1929	9.0	21.2	.3	31.0	1946	53.7	53.5	5.0	113.8
1930	16.8	35.2	.2	52.7	1947	58.4	45.8	5.2	110.5
1931	12.2	34.7	.5	47.9	1948	58.3	37.0	3.4	99.7
1932	14.5	34.3	.3	49.7	1949	58.5	41.9	1.8	103.5
1933	15.9	28.4	.4	45.2	1950	67.3	45.2	2.7	116.9
1934	15.6	45.0	.6	62.0	1951	78.6	38.4	.3	118.1
1935	15.9	32.8	.8	50.0	1952	72.2	46.0	1.0	120.2
1936	19.1	29.8	2.0	51.5	1953	91.3	32.4	.9	125.9
1937	23.9	45.9	1.4	72.0	1954	88.4	39.4	1.5	130.6
1938	29.9	41.4	2.8	73.1	1955	91.0	38.4	1.6	132.3
1939	25.6	44.4	2.4	73.3	1956	93.0	35.9	1.6	131.9
1940	28.6	50.8	2.6	82.8	1957	82.5	23.3	2.2	109.5
1941	27.2	52.2	2.8	83.1					

[1] Net content of box: California-Arizona, 77 pounds; other States, 90 pounds.
[2] Includes small quantities in other States not shown separately.
[3] Less than 0.05 million boxes.

Source: USDA, Agricultural Marketing Service, Florida Citrus Fruit, Annual Summary, 1957 (1957 from Crop Production, July 10, 1958, AMS).

TABLE 2.—*Consumption of oranges, fresh weight basis, 1945–57* [1]

[In billion pounds]

Year	Frozen concentrated juice	Canned juice [2]	Fresh	Total	Year	Frozen concentrated juice	Canned juice [2]	Fresh	Total
1945	----------	0.96	5.82	6.78	1952	3.44	1.58	4.27	9.29
1946	0.01	1.60	5.24	6.85	1953	3.85	1.44	4.29	9.58
1947	.01	1.69	5.92	7.62	1954	4.21	1.37	3.89	9.47
1948	.05	2.16	5.19	7.40	1955	4.85	1.26	4.08	10.19
1949	.94	1.84	4.53	7.31	1956	4.82	1.23	3.79	9.84
1950	1.49	1.61	4.03	7.13	1957 [3]	5.36	1.26	3.69	10.31
1951	2.09	1.72	4.34	8.15					

[1] Unpublished data of Agricultural Economics Division, AMS. Factors for converting products to fresh-weight basis are from Conversion Factors and Weights and Measures for Agricultural Commodities and Their Products, Production and Marketing Administration, USDA, May 1952. (Constant factors were used for all years.)
[2] Includes half of blended juice converted to fresh-weight basis.
[3] Preliminary estimates.

TABLE 3.—*Average price paid by household consumers for 6-ounce can of frozen concentrated orange juice, by weeks, 1955–56 to 1957–58 seasons*

1955–56		1956–57		1957–58	
Week ending	Price	Week ending	Price	Week ending	Price
	Cents		*Cents*		*Cents*
Oct. 8	16.6	Oct. 6	16.9	Oct. 5	15.0
Oct. 15	16.7	Oct. 13	16.9	Oct. 12	15.0
Oct. 22	16.7	Oct. 20	17.2	Oct. 19	15.2
Oct. 29	16.6	Oct. 27	17.0	Oct. 26	15.5
Nov. 5	16.6	Nov. 3	16.7	Nov. 2	15.4
Nov. 12	16.5	Nov. 10	16.6	Nov. 9	15.3
Nov. 19	16.7	Nov. 17	16.8	Nov. 16	15.5
Nov. 26	16.7	Nov. 24	17.0	Nov. 23	15.3
Dec. 3	16.6	Dec. 1	16.7	Nov. 30	15.6
Dec. 10	16.7	Dec. 8	16.6	Dec. 7	15.4
Dec. 17	16.6	Dec. 15	16.5	Dec. 14	15.6
Dec. 24	16.7	Dec. 22	16.5	Dec. 21	15.8
Dec. 31	16.7	Dec. 29	16.7	Dec. 28	16.8
Jan. 7	16.7	Jan. 5	16.3	Jan. 4	17.5
Jan. 14	16.7	Jan. 12	16.6	Jan. 11	18.7
Jan. 21	16.5	Jan. 19	16.2	Jan. 18	19.7
Jan. 28	16.5	Jan. 26	16.3	Jan. 25	19.9
Feb. 4	16.6	Feb. 2	16.3	Feb. 1	20.6
Feb. 11	16.8	Feb. 9	16.2	Feb. 8	20.1
Feb. 18	16.7	Feb. 16	15.9	Feb. 15	20.0
Feb. 25	16.8	Feb. 23	15.7	Feb. 22	20.6
Mar. 3	16.5	Mar. 2	15.9	Mar. 1	20.5
Mar. 10	16.8	Mar. 9	15.9	Mar. 8	20.9
Mar. 17	16.8	Mar. 16	15.8	Mar. 15	21.0
Mar. 24	16.8	Mar. 23	16.0	Mar. 22	21.4
Mar. 31	16.7	Mar. 30	15.9	Mar. 29	21.8
Apr. 7	16.5	Apr. 6	15.8	Apr. 5	21.9
Apr. 14	16.4	Apr. 13	15.8	Apr. 12	22.5
Apr. 21	16.2	Apr. 20	16.1	Apr. 19	22.3
Apr. 28	16.6	Apr. 27	15.7	Apr. 26	22.0
May 5	16.5	May 4	15.7	May 3	22.5
May 12	16.5	May 11	14.0	May 10	22.4
May 19	16.4	May 18	13.4	May 17	22.4
May 26	16.5	May 25	13.2	May 24	22.6
June 2	16.1	June 1	13.5	May 31	23.1
June 9	16.9	June 8	13.3	June 7	23.4
June 16	16.8	June 15	13.1	June 14	24.0
June 23	16.7	June 22	13.3	June 21	24.0
June 30	16.7	June 29	13.3	June 28	24.1
July 7	16.8	July 6	13.3		
July 14	17.1	July 13	13.3		
July 21	16.9	July 20	13.8		
July 28	17.3	July 27	13.8		
Aug. 4	17.3	Aug. 3	13.9		
Aug. 11	17.1	Aug. 10	14.1		
Aug. 18	17.5	Aug. 17	14.3		
Aug. 25	17.4	Aug. 24	14.8		
Sept. 1	17.6	Aug. 31	14.8		
Sept. 8	17.3	Sept. 7	14.7		
Sept. 15	17.3	Sept. 14	15.0		
Sept. 22	17.0	Sept. 21	14.9		
Sept. 29	17.2	Sept. 28	14.9		

Source: Data obtained by Market Research Corporation of America through a continuing survey of household consumers.

TABLE 4.—*Retail price, Florida processors' price, farm value and spreads for 6-ounce can of frozen concentrated orange juice, December 1955–June 1958*

[In cents]

Year and month	Retail price [1]	Processor price [2]	Farm value [3]	Spreads		
				Processor-retail	Farm-processor	Total
1955—December	18.9	14.7	6.1	4.2	8.6	12.8
1956—January	18.9	14.8	8.1	4.1	6.7	10.8
February	19.4	(4)	7.5	(4)	(4)	11.9
March	19.8	16.5	7.2	3.3	9.3	12.6
April	19.6	15.0	7.8	4.6	7.2	11.8
May	19.6	15.0	8.3	4.6	6.7	11.3
June	19.7	15.5	8.2	4.2	7.3	11.5
July	20.0	16.3		3.7		
August	20.1	16.3		3.8		
September	20.1	16.0		4.1		
October	19.8	14.9		4.9		
November	19.5	14.5		5.0		
December	19.2	14.1	5.8	5.1	8.3	13.4
1957—January	19.2	13.7	5.7	5.5	8.0	13.5
February	18.9	13.7	6.0	5.2	7.7	12.9
March	18.8	14.1	6.0	4.7	8.1	12.8
April	18.7	14.5	5.7	4.2	8.8	13.0
May	18.1	12.4	5.4	5.7	7.0	12.7
June	17.6	12.4	4.3	5.2	8.1	13.3
July	17.5	13.2		4.3		
August	17.7	14.1		3.6		
September	18.0	14.5		3.5		
October	18.2	13.8		4.4		
November	18.3	13.8		4.5		
December	18.2	13.8	4.9	4.4	8.9	13.3
1958—January	22.6	18.5	6.2	4.1	12.3	16.4
February	23.7	19.1	9.1	4.6	10.0	14.6
March	24.7	19.9	10.2	4.8	9.7	14.5
April	25.9	19.9	14.4	6.0	5.5	11.5
May	26.3	20.7	14.1	5.6	6.6	12.2
June	27.9	22.4	16.9	5.5	5.5	11.0

[1] Bureau of Labor Statistics (mostly nationally advertised brands).
[2] Prices of nationally advertised brands, ex-key warehouses, 1st of month, reported in Quick Frozen Foods magazine.
[3] Cost to processor for oranges, computed from prices paid as reported by the Florida Canners' Association. Weekly prices were weighted by boxes of oranges used during the week to obtain monthly average prices.
[4] Processor prices not available.

TABLE 5.—*Consumer purchases of frozen concentrated orange juice and average price paid, October 1956–June 1958*

Year and month [1]	Purchases	Average price per 6-ounce can	Year and month [1]	Purchases	Average price per 6-ounce can
	Million gallons	*Cents*	1957—Continued	*Million gallons*	*Cents*
1956—October	5.1	17.0	September	5.3	14.9
November	4.8	16.7	October	5.9	15.2
December	4.9	16.6	November	5.8	15.4
1957—January	4.9	16.3	December	5.3	15.9
February	5.2	16.0	1958—January	4.6	18.9
March	5.1	15.9	February	4.4	20.3
April	5.0	15.9	March	4.4	21.2
May	6.3	14.0	April	4.0	22.2
June	5.8	13.3	May	3.9	22.5
July	5.5	13.5	June [2]	3.3	23.9
August	5.2	14.2			

[1] The data on household purchases are based on 4-week periods (28 days) during each month in order to permit comparisons between periods of equal length.
[2] Preliminary data.

Source: Data obtained by Market Research Corporation of America through a continuing survey of household consumers.

TABLE 6.—*Production and utilization of Florida oranges (excluding tangerines), 1939–40 to 1957–58 seasons*

[In million boxes [1]]

Season	Production	Used fresh	Total processed	Frozen concentrate [2]	Chilled juice	Pasteurized concentrate (hot pack)	Other processed [3]
1939–40	25.6	21.3	4.3	----	----	----	4.3
1940–41	28.6	24.6	4.0	----	----	----	4.0
1941–42	27.2	22.9	4.3	----	----	----	4.3
1942–43	37.2	30.8	6.4	----	----	----	6.4
1943–44	46.2	35.2	11.0	----	----	----	11.0
1944–45	42.8	28.5	14.3	----	----	----	14.3
1945–46	49.8	30.6	19.2	0.2	----	----	19.0
1946–47	[4] 53.7	32.9	19.9	0.5	----	2.3	17.1
1947–48	58.4	28.0	30.4	1.6	----	3.3	25.5
1948–49	58.3	31.4	26.8	8.3	----	2.5	16.0
1949–50	58.5	23.8	34.7	17.8	----	1.8	15.1
1950–51	67.3	25.4	41.9	23.2	----	2.8	15.9
1951–52	78.6	31.1	47.5	31.8	----	1.5	14.2
1952–53	72.2	26.3	45.9	32.9	----	0.4	12.6
1953–54	91.3	28.4	62.9	48.6	----	1.1	13.2
1954–55	88.4	27.7	60.7	44.8	3.0	1.2	11.7
1955–56	91.0	26.1	64.9	49.5	3.5	0.7	11.2
1956–57	93.0	24.8	68.2	48.9	5.6	1.2	12.5
1957–58	82.5	[5] 18.4	[5] 64.1	[5] 44.3	[5] 6.0	[5] 0.8	[5] 13.0

[1] Boxes of 90 pounds of fruit.
[2] Includes small quantities used for frozen blends.
[3] Includes pasteurized single strength juice and blends, sections and salads, chilled sections and salads, and culls used for cow feed, etc.
[4] Difference between production and the sum of utilization items is fruit not harvested or utilized because of economic conditions.
[5] Tentative estimates, based on incomplete records.

TABLE 7.—*Annual pack of Florida orange juice products 1948–49 to 1957–58 seasons*

Season	Frozen orange concentrate	Hot-pack orange concentrate	Single-strength orange juice	Season	Frozen orange concentrate	Hot-pack orange concentrate	Single-strength orange juice
	Thousand gallons	*Thousand gallons*	*Thousand cases* [1]		*Thousand gallons*	*Thousand gallons*	*Thousand cases* [1]
1948–49	10,233	1,898	16,757	1953–54	65,531	1,339	17,790
1949–50	21,647	1,529	17,419	1954–55	64,686	1,531	16,518
1950–51	30,758	2,530	20,021	1955–56	70,224	1,086	15,500
1951–52	44,031	1,898	19,321	1956–57	72,012	1,801	16,828
1952–53	46,554	537	16,907	1957–58 [2]	57,185	1,156	17,863

[1] Equivalent cases of 24 No. 2 cans.
[2] Preliminary.

Compiled from annual reports of Florida Canners' Association.

TABLE 8.—*Total pack of frozen concentrated orange juice, accumulated by weeks, Florida processors, 1955-56 to 1957-58 seasons*

1955–56		1956–57			1957–58			
Date	Pack	Date	Pack	Change from 1955–56	Date	Pack	Change from—	
							1955–56	1956–57
	Thousand gallons		*Thousand gallons*	*Percent*		*Thousand gallons*	*Percent*	*Percent*
Nov. 5		Nov. 3			Nov. 2			
Nov. 12	71	Nov. 10			Nov. 9			
Nov. 19	131	Nov. 17			Nov. 16			
Nov. 26	289	Nov. 24			Nov. 23	233	−19	
Dec. 3	795	Dec. 1	163	−80	Nov. 30	607	−24	272
Dec. 10	1,788	Dec. 8	551	−69	Dec. 7	1,717	−4	212
Dec. 17	3,699	Dec. 15	2,568	−31	Dec. 14	4,094	11	59
Dec. 24	5,864	Dec. 22	5,095	−13	Dec. 21	7,008	20	38
Dec. 31	7,676	Dec. 29	6,705	−13	Dec. 28	8,577	12	28
Jan. 7	11,040	Jan. 5	9,181	−17	Jan. 4	11,606	5	26
Jan. 14	14,540	Jan. 12	12,487	−14	Jan. 11	15,209	5	22
Jan. 21	18,073	Jan. 19	16,089	−11	Jan. 18	19,305	7	20
Jan. 28	21,694	Jan. 26	19,450	−10	Jan. 25	22,234	2	14
Feb. 4	24,945	Feb. 2	23,726	−5	Feb. 1	25,681	3	8
Feb. 11	28,237	Feb. 9	27,810	−2	Feb. 8	29,073	3	5
Feb. 18	31,285	Feb. 16	31,782	2	Feb. 15	31,305	(1)	2
Feb. 25	33,649	Feb. 23	34,728	3	Feb. 22	32,892	−2	−5
Mar. 3	35,091	Mar. 2	37,631	7	Mar. 1	34,079	−3	−9
Mar. 10	35,935	Mar. 9	39,472	10	Mar. 8	35,512	−1	−10
Mar. 17	36,482	Mar. 16	40,781	12	Mar. 15	37,383	2	−8
Mar. 24	37,002	Mar. 23	41,167	11	Mar. 22	39,088	6	−5
Mar. 31	37,516	Mar. 30	41,522	11	Mar. 29	40,611	8	−2
Apr. 7	38,393	Apr. 6	41,907	9	Apr. 5	42,017	9	(1)
Apr. 14	39,881	Apr. 13	42,526	7	Apr. 12	43,870	10	3
Apr. 21	42,089	Apr. 20	43,832	4	Arp. 19	46,196	10	5
Apr. 28	45,285	Apr. 27	46,257	2	Apr. 26	48,508	7	5
May 5	48,944	May 4	49,425	1	May 3	51,131	4	3
May 12	52,538	May 11	52,472	(1)	May 10	53,615	2	2
May 19	56,212	May 18	55,361	−2	May 17	55,638	−1	1
May 26	59,814	May 25	58,572	−2	May 24	56,679	−5	−3
June 2	63,398	June 1	61,411	−3	May 31	57,041	−10	−7
June 9	66,798	June 8	64,484	−3	June 7	57,129	−14	−11
June 16	69,058	June 15	67,247	−3	June 14	57,129	−17	−15
June 23	69,903	June 22	69,627	(1)	June 21	57,185	−18	−18
June 30	70,155	June 29	70,843	1				
July 7	70,197	July 6	71,383	2				
July 14	70,197	July 13	71,808	2				
July 21	70,197	July 20	71,870	2				
July 28	70,197	July 27	71,879	2				
Aug. 4	70,197	Aug. 3	71,881	2				
Aug. 11	70,197	Aug. 10	71,881	2				
Aug. 18	70,197	Aug. 17	71,881	2				
Aug. 25	70,197	Aug. 24	71,881	2				
Sept. 1	70,224	Aug. 31	71,881	2				
Sept. 8	70,224	Sept. 7	72,012	3				
Sept. 15	70,224	Sept. 14	72,012	3				
Sept. 22	70,224	Sept. 21	72,012	3				
Sept. 29	70,224	Sept. 28	72,012	3				
Oct. 6	70,224	Oct. 5	72,012	3				
Oct. 13	70,224	Oct. 12	72,012	3				
Oct. 20	70,224	Oct. 19	72,012	3				
Oct. 27	70,224	Oct. 26	72,012	3				

[1] Less than 0.5 percent.

Source: Compiled from reports of the Florida Canners' Association.

TABLE 9.—*Seasonal disappearance of frozen concentrated orange juice from stocks of Florida processors, by weeks, 1955–56 to 1957–58 seasons*

1955–56		1956–57			1957–58			
Date	Quantity	Date	Quantity	Change from 1955–56	Date	Quantity	Change from—	
							1955–56	1956–57
	Thousand gallons		*Thousand gallons*	*Percent*		*Thousand gallons*	*Percent*	*Percent*
Nov. 5	768	Nov. 3	1,278	66	Nov. 2	1,422	−24	−43
Nov. 12	1,870	Nov. 10	2,486	33	Nov. 9	2,673	−9	−17
Nov. 19	2,928	Nov. 17	3,237	11	Nov. 16	4,148	7	−3
Nov. 26	3,863	Nov. 24	4,275	11	Nov. 23	5,329	6	−6
Dec. 3	5,050	Dec. 1	5,687	13	Nov. 30	6,960	16	(1)
Dec. 10	5,988	Dec. 8	6,949	16	Dec. 7	8,481	20	12
Dec. 17	7,050	Dec. 15	7,604	8	Dec. 14	9,550	19	8
Dec. 24	8,001	Dec. 22	8,867	11	Dec. 21	10,666	16	7
Dec. 31	9,167	Dec. 29	9,989	9	Dec. 28	12,090	19	8
Jan. 7	10,177	Jan. 5	11,213	10	Jan. 4	14,057	21	15
Jan. 14	11,622	Jan. 12	12,178	5	Jan. 11	15,366	11	13
Jan. 21	13,818	Jan. 19	13,550	−2	Jan. 18	16,920	6	11
Jan. 28	15,925	Jan. 26	15,243	−4	Jan. 25	18,613	5	11
Feb. 4	17,791	Feb. 2	16,779	−6	Feb. 1	19,533	−2	6
Feb. 11	19,829	Feb. 9	18,452	−7	Feb. 8	20,944	−2	3
Feb. 18	21,341	Feb. 16	20,304	−5	Feb. 15	22,550	(1)	2
Feb. 25	22,472	Feb. 23	22,117	−2	Feb. 22	24,090	3	(1)
Mar. 3	23,410	Mar. 2	24,026	3	Mar. 1	25,480	4	1
Mar. 10	24,434	Mar. 9	25,141	3	Mar. 8	26,666	5	2
Mar. 17	25,386	Mar. 16	26,078	3	Mar. 15	28,053	6	3
Mar. 24	26,354	Mar. 23	27,337	4	Mar. 22	29,506	7	4
Mar. 31	27,517	Mar. 30	28,427	3	Mar. 29	30,750	7	2
Apr. 7	28,792	Apr. 6	30,070	4	Apr. 5	32,231	8	3
Apr. 14	29,716	Apr. 13	31,323	5	Apr. 12	33,115	6	2
Apr. 21	31,152	Apr. 20	32,524	4	Apr. 19	34,353	5	2
Apr. 28	32,746	Apr. 27	33,783	3	Apr. 26	35,609	6	2
May 5	33,749	May 4	35,057	4	May 3	36,801	5	−1
May 12	35,142	May 11	37,154	6	May 10	38,243	5	−3
May 19	36,310	May 18	39,276	8	May 17	39,550	4	−4
May 26	38,010	May 25	41,059	8	May 24	41,079	2	−4
June 2	40,362	June 1	42,884	6	May 31	42,202	1	−6
June 9	41,847	June 8	44,763	7	June 7	43,555	1	−6
June 16	43,211	June 15	46,222	7	June 14	44,190	(1)	−8
June 23	44,122	June 22	48,245	9				
June 30	45,521	June 29	50,462	11				
July 7	46,468	July 6	52,099	12				
July 14	47,421	July 13	54,014	14				
July 21	48,392	July 20	55,339	14				
July 28	49,318	July 27	57,007	16				
Aug. 4	50,325	Aug. 3	58,513	16				
Aug. 11	51,046	Aug. 10	59,996	18				
Aug. 18	51,931	Aug. 17	61,152	18				
Aug. 25	52,741	Aug. 24	62,413	18				
Sept. 1	53,570	Aug. 31	63,160	18				
Sept. 8	54,677	Sept. 7	64,865	19				
Sept. 15	55,582	Sept. 14	65,888	19				
Sept. 22	56,449	Sept. 21	67,029	19				
Sept. 29	57,591	Sept. 28	68,258	19				
Oct. 6	58,490	Oct. 5	69,470	19				
Oct. 13	59,405	Oct. 10	70,447	19				
Oct. 20	60,191	Oct. 19	71,429	19				
Oct. 27	65,903	Oct. 26	72,720	10				
		Nov. 2	74,100					

[1] Less than 0.5 percent.

Compiled from reports of Florida Canners' Association.

TABLE 10.—*Frozen concentrated orange juice in hands of Florida processors, by weeks, 1955–56 to 1957–58 seasons*

1955–56		1956–57			1957–58			
Date	Quantity	Date	Quantity	Change from 1955–56	Date	Quantity	Change from—	
							1955–56	1956–57
	Thousand gallons		*Thousand gallons*	*Percent*		*Thousand gallons*	*Percent*	*Percent*
Nov. 5	13,204	Nov. 3	17,089	29	Nov. 2	16,279	23	−5
Nov. 12	12,174	Nov. 10	15,881	30	Nov. 9	14,857	22	−6
Nov. 19	11,174	Nov. 17	15,130	35	Nov. 16	18,606	67	23
Nov. 26	10,398	Nov. 24	14,092	36	Nov. 23	12,365	19	−12
Dec. 3	9,713	Dec. 1	12,843	32	Nov. 30	11,556	19	−10
Dec. 10	9,762	Dec. 8	11,969	23	Dec. 7	11,027	13	−8
Dec. 17	10,611	Dec. 15	13,330	26	Dec. 14	11,892	12	−11
Dec. 24	11,801	Dec. 22	14,595	24	Dec. 21	13,737	16	−6
Dec. 31	12,436	Dec. 29	15,083	21	Dec. 28	14,190	14	−6
Jan. 7	14,791	Jan. 5	16,335	10	Jan. 4	15,794	7	−3
Jan. 14	16,837	Jan. 12	18,677	11	Jan. 11	17,431	4	−7
Jan. 21	18,174	Jan. 19	20,906	15	Jan. 18	20,218	11	−3
Jan. 28	19,606	Jan. 26	22,574	15	Jan. 25	21,592	10	−4
Feb. 4	20,815	Feb. 2	25,314	22	Feb. 1	23,347	12	−8
Feb. 11	22,069	Feb. 9	27,725	26	Feb. 8	25,818	17	−7
Feb. 18	23,605	Feb. 16	29,845	26	Feb. 15	26,639	13	−11
Feb. 25	24,791	Feb. 23	30,978	25	Feb. 22	26,621	7	−14
Mar. 3	25,296	Mar. 2	31,972	26	Mar. 1	26,267	4	−18
Mar. 10	25,116	Mar. 9	32,698	30	Mar. 8	26,310	5	−20
Mar. 17	24,708	Mar. 16	33,071	34	Mar. 15	26,996	9	−18
Mar. 24	24,247	Mar. 23	32,197	33	Mar. 22	27,314	13	−15
Mar. 31	23,546	Mar. 30	31,462	34	Mar. 29	27,384	16	−13
Apr. 7	22,995	Apr. 6	30,205	31	Apr. 5	27,546	20	−9
Apr. 14	23,447	Apr. 13	29,570	26	Apr. 12	27,918	19	−6
Apr. 21	24,117	Apr. 20	29,675	23	Apr. 19	29,360	22	−1
Apr. 28	25,718	Apr. 27	30,841	20	Apr. 26	30,434	18	−1
May 5	28,220	May 4	32,735	16	May 3	31,801	13	−3
May 12	30,325	May 11	33,686	11	May 10	33,093	9	−2
May 19	32,668	May 18	34,453	5	May 17	33,674	3	−2
May 26	34,570	May 25	35,880	4	May 24	33,407	−3	−7
June 2	35,802	June 1	36,894	3	May 31	32,241	−10	−13
June 9	37,622	June 8	38,088	1	June 7	31,206	−17	−18
June 16	38,493	June 15	39,392	2	June 14	29,853	−22	−24
June 23	38,427	June 22	39,749	3	June 21	29,273	−24	−26
June 30	37,093	June 29	38,748	4				
July 7	36,227	July 6	37,651	4				
July 14	35,150	July 13	36,161	3				
July 21	34,111	July 20	34,899	2				
July 28	32,949	July 27	33,240	1				
Aug. 4	31,810	Aug. 3	31,735	(1)				
Aug. 11	30,937	Aug. 10	30,252	−2				
Aug. 18	29,875	Aug. 17	29,097	−3				
Aug. 25	28,846	Aug. 24	27,835	−4				
Sept. 1	27,499	Aug. 31	27,088	−1				
Sept. 8	26,269	Sept. 7	25,514	−3				
Sept. 15	25,256	Sept. 14	24,491	−3				
Sept. 22	24,257	Sept. 21	23,350	−4				
Sept. 29	23,060	Sept. 28	22,121	−4				
Oct. 6	22,006	Oct. 5	20,909	−5				
Oct. 13	20,915	Oct. 10	19,932	−5				
Oct. 20	19,943	Oct. 19	18,950	−5				
Oct. 27	18,367	Oct. 26	17,659	−4				

[1] Less than 0.5 percent. Compiled from reports of the Florida Canners' Association.

Mr. ANFUSO. Thank you very much, Mr. Wells, for that very illuminating statement and for the cooperation which you have given to this committee.

Are there any questions?

Mr. MCINTIRE. I have one further question, Mr. Wells, and I am coming back to this shift on the position in which the inventory is being switched from the processor inventory over into the distributive column. Is that not somewhat of a natural shift in a situation where supplies are anticipated to be shorter than normal and that the shift would then be more into distributive inventories because there is

some stability in price? When prices are soft, inventories are held back away from the distributive element as much as possible, because there is a possibility of a lower price as it moves forward toward the retail outlet; but if there is a reasonable assurance that the price is to be relatively stable, or, perhaps tending to move upward slightly, then the natural thing would be to move the inventory toward the distributive trade. Is that a fair observation?

Mr. WELLS. I certainly could not disagree. I think there is a pretty natural reason, with the supply limited, for distributors to assure themselves of enough to continue operations to the end of the year.

Mr. MCINTIRE. So the more assured they are of that supply if they have it?

Mr. WELLS. Yes.

This is an observation which is, perhaps, not directly pertinent, we have been talking a great deal about contract farming and integration as being a means where the farmer shifts risks to the businessmen. Those in the orange concentrate business, apparently, do not particularly want to carry these risks, they have had some experiences over the last several years that influences them to shift the risk either back to the grower or forward to the distributive trade. Perhaps I read the record wrong.

Mr. MATTHEWS. May I make this one observation? I do not want to ask a question, but merely to give emphasis to just 1 or 2 facts that you brought out.

As I recall, there actually was a fifth less concentrate produced under the 1957–58 crop than the previous season. I don't know whether you recall that?

Mr. WELLS. Correct.

Mr. MATTHEWS. But as I remember that is what it was. And then, too, in assessing the damage to the citrus trees 25 percent of the bearing trees were damaged as the result of the December 1957 freeze, and of that number 16 percent suffered extensive damage, and 2 percent were killed. And of the nonbearing trees as the result of the freeze 64 percent were damaged, and of that 64 percent, 16 percent killed, and 44 percent extensively damaged.

I thought those facts ought to be emphasized in this connection.

Mr. WELLS. Those are the best estimates we can make.

Mr. ANFUSO. Thank you again, Mr. Wells, and you gentlemen.

I would like to announce that we have, according to the list furnished to me, the following witness, Mr. Marvin Walker of the Florida Citrus Canners' Cooperative.

Is he here?

You came here from Florida today, is that correct?

Mr. WALKER. Yes.

Mr. ANFUSO. And Mr. William Edwards of the Pasco Packing Co.?

Mr. EDWARDS. Yes.

Mr. ANFUSO. You also came here from Florida?

Mr. EDWARDS. That is correct.

Mr. ANFUSO. We have Mr. Lawrence Martin, executive secretary, of the National Association Frozen Food Packers. You are here from Washington?

Mr. MARTIN. Yes.

Mr. ANFUSO. And Mr. H. G. Hamilton of the agricultural department of economics.

Dr. Hamilton, you came here from Florida?

Dr. HAMILTON. Yes, sir.

Mr. ANFUSO. I also notice in the audience, although he was not present on the list, our very distinguished colleague Congressman Charles A. Vanik of Ohio. I am sure you would like to say something at these hearings.

May I ask whether you would rather testify now or wait until some other occasion when you have heard all of these other witnesses?

Mr. VANIK. Let me suggest that these gentlemen from out of the State, ought to have priority. I will be very glad to wait the pleasure of the committee when the out-of-town people have had an opportunity to testify.

Mr. ANFUSO. We certainly appreciate that.

The reason I make that statement is because we must adjourn here at 12 o'clock, and I doubt very much whether we can meet this afternoon because I am advised that the full committee will meet at 2 o'clock.

So that again, I thank you, Congressman Vanik.

We will hear from Mr. Walker.

Mr. HALEY. If I may, I might say that Mr. Walker is a constituent of mine, a very distinguished constituent of mine.

Mr. ANFUSO. That will not be held against you. [Laughter.]

Mr. Walker, I notice that you have a rather illuminating statement, and all of the members have it. Would you want to submit it for the record, and then make some extemporaneous remarks or proceed as you may see fit?

Mr. WALKER. Mr. Chairman, I think that I can skip over parts of the statement, and emphasize several portions.

Mr. ANFUSO. With that understanding the entire statement will be considered as though read by you and you may refer to any parts.

STATEMENT OF MARVIN H. WALKER, GENERAL MANAGER, FLORIDA CITRUS CANNERS COOPERATIVE, LAKE WALES, FLA.

Mr. WALKER. My name is Marvin H. Walker, and I am general manager of Florida Citrus Canners Cooperative, Lake Wales, Fla.

This statement is made pursuant to your request for "a general statement concerning the place of cooperatives in the processing and marketing of Florida oranges" and for—

any information which you think will be helpful to the subcommittee in its study of recent increases in retail prices of frozen citrus fruit.

It also replies to the four specific questions asked of me, which were stated as follows:

We would like to know to what extent cooperatives set the price patterns for the industry and the extent to which cooperatives follow the price pattern set by private firms.

Where private firms process and market the oranges for a cooperative, what are the usual arrangements between the private firm and the cooperative?

To what extent have the increases in retail prices of frozen orange juice been reflected back to the producer of oranges?

How much of the carryover of frozen orange concentrates at the beginning of the season was held by cooperatives?

My replies to these questions, and my comments on the marketing of frozen orange concentrate by Florida packers, will be more clearly understood, I believe, if I first give you a brief description of the way in which this industry operates.

There are 20 packers of frozen orange concentrate in Florida; 5 operate as cooperatives, though they or their members also buy some fruit. At least six of the other packers handle some of their fruit under cooperative or participation plans. There are marked differences in the fruit procurement methods of major packers, and in the cooperative or participation plans they offer growers.

While it is difficult to distinguish between cooperative and corporate packers, since many in practice are both, the reports of the Florida Canners Association show that in the 1957–58 season 43 percent of all fruit used for frozen concentrate was purchased—which indicates 57 percent of the fruit was handled cooperatively, with growers sharing in the product returns.

Florida Citrus Canners Cooperative is a nonexempt, federated cooperative which processes and markets the fruit of 8 cooperative associations of growers and 2 corporate producers of fruit. We packed 6.51 percent of the frozen orange concentrate produced in the 1957–58 season, and 5.69 percent of the pack in 6-ounce and 12-ounce retail-size cans. We purchased 30 percent of the oranges used in all of our orange product packs this season.

We return to our members what we receive from the sale of products packed from their fruit, less our costs and a capital retain for which revolving fund certificates are issues. Returns on fruit purchased are figures the same way we figure returns on members' fruit, though there is no capital retain on purchased fruit. Like the corporate packers, we pay the Federal income tax on any purchased fruit profits.

There are advertised and nonadvertised brands of frozen orange concentrate. The advertised brands—Minute Maid, Snow Crop, Birdseye, Libby and Pictsweet—are priced higher than nonadvertised brands because of their additional sales, advertising, and merchandising costs.

The advertised brands represented 37.8 percent of the 1957–58 pack in retail-size cans. The remaining 62.2 percent was packed under packers' or buyers' brands, the latter including chainstore brands.

The nonadvertised brands quote prices f. o. b. Florida plants, but some packers of these brands sell some stocks from northern market warehouses and in such markets they quote ex-warehouse prices. These prices are the packer's f. o. b. price plus freight and estimated storage costs—with the freight and storage markup ranging from about 15 cents in Atlanta to 18 cents in New York and Chicago and to 22 cents in Los Angeles. Advertised brands usually are quoted ex-warehouse, and at the same price in all markets, except Florida where they are lower and on the Pacific coast where they are higher.

There is strong competition between Florida packers in buying oranges and in soliciting growers for their cooperative plans, and there is intense competition between them in the sale of their products. Under normal marketing conditions there are few if any differences in the price quotations of nonadvertised brands, for the reason that packers of these brands must be competitive in their quotations to maintain their sales. Distributors and retailers demand dependable

supplies at competitive prices, and if a packer fails in either respect he will lose customers fast.

Now, in reply to your specific questions:

Mr. McINTIRE. Before you proceed on that, your reference here to 15 cents in New York, and Chicago, and 22 cents in Los Angeles—what is the unit to which they apply?

Mr. WALKER. Freight and storage.

Mr. McINTIRE. Is that on a case basis, or what?

Mr. WALKER. That is per dozen, 6-ounce cans.

Mr. McINTIRE. Thank you.

Mr. WALKER (reading):

> We would like to know to what extent cooperatives set the price patterns for the industry and the extent to which cooperatives follow the price pattern set by private firms.

Since the larger packers whose quotations normally have the most influence on price patterns include cooperatives which buy some fruit and corporations which handle some fruit on a cooperative basis, it is difficult for me to answer this question as it has been stated.

The largest packer of advertised brands received most of its oranges from a group of growers on a cooperative basis during the 1957–58 season. Of the three largest packers of nonadvertised brands, one is a corporation receiving about half of its fruit from growers on a cooperative basis, one is a cooperative whose members buy some of the fruit they deliver to it, and the other is a cooperative which has been buying a substantial percentage of the oranges it processes.

Price changes in frozen orange concentrate occur when supply and demand factors change—when packers feel they must increase or reduce their sales to achieve an orderly distribution throughout the marketing year. Prices will be reduced to stimulate sales and to avoid excessive carryovers, or they will be increased to restrict sales to keep customers supplied with product each month until new packs are available.

One of the 4 or 5 largest packers usually takes the initiative in changing prices, though there have been times when price cutting by some of the smaller packers has forced larger packers to reduce their quotations.

No packer is large enough to raise his prices and get higher prices very long unless competitors feel the increase is justified by supply and demand factors and follow him upward. On the other hand, a price reduction by a large packer usually is quickly followed by other packers.

It was Florida Citrus Canners Cooperative that took the initiative in raising prices of frozen orange concentrate after the first severe freeze of the 1957–58 season, last December 11 and 12. At the time of the December freeze packers of nonadvertised brands generally were quoting $1.25 per dozen 6-ounce cans, f. o. b. Florida.

On December 16 we raised our price to $1.75. In about a week most other packers raised their prices to the same level. Normally, we do not have the influence in setting price patterns which this might imply. Other packers raised their prices to $1.75 either because they agreed with our thinking that crop losses made the higher price necessary, or because they did not know what else to do in those confusing and hectic days.

On February 24 this year, after 2 more severe freezes which resulted in further crop damage, we raised our price for a dozen 6-ounce cans of frozen orange concentrate to $2 f. o. b. Lake Wales. We did this because we were deeply concerned about reductions in our packs and the high rate of sales at the $1.75 price, and we were fearful of serious product shortages later in the year. Most other packers of non-advertised brands raised their prices to $2 at about the same time.

As I remember, 2 of our largest competitors did not raise their prices to $2 until about a week later. At that time, the latter part of February, Florida packers had a very high inventory of bulk stocks of frozen orange concentrate packed from damaged midseason fruit and there was a very serious question about our ability to get enough sweet fruit late in the season to blend in with those stocks so we could pack in cans. As I recall the situation in late February, the industry had about a 3½, at the most, 4 months' supply at the rate at which we were then selling frozen orange concentrate. And we were faced with the problem of packing an additional 6 months' supply in the several months then left for packing.

On May 19 this year we raised our price to $2.25 per dozen 6-ounce cans, because we felt it necessary to further restrict sales so that we could maintain our position in the market until new packs are available from 1958–59 crops. Other packers, who had been waiting to see what the total industry pack would be, raised their prices in the same amount at the same time. There have been no changes in prices of retail-size cans during the past 2 months.

That last increase was May 19. We were looking at figures like this: In the first 4 months of the year, January through April, we of the Florida Citrus Canners Cooperative had sold 4 percent more in retail size cans than we had sold in the same months the year before, at a price which I recall was at that time averaging 46 percent higher than the year before. And we were deeply concerned about our ability to stay in business and to keep regular customers supplied with products until we could make more next January.

Where private firms process and market the oranges for a cooperative, what are the usual arrangements between the private firm and the cooperative?

All I know about this is what I have read in newspapers or heard from others. Usually, as I understand it, the corporate packer enters into a contract with a group of growers to process and market their oranges and to return to such growers the sales prices of the products packed from their fruit, less the packer's costs and an agreed profit.

These plans are similar to those of cooperative packers, excepting that the grower pays the packer a profit while in a cooperative the grower pays a capital retain. Growers in a cooperative control its management, while growers delivering fruit on a cooperative basis to a corporate packer have little if any voice in its management.

To what extent have the increases in retail prices of frozen orange juice been reflected back to the producer of oranges?

The higher prices of frozen orange concentrate will be reflected in the returns received by growers whose fruit was packed by cooperatives or by corporate packers under cooperative plans. Growers who sold their crops for each in January and February, and to some extent in March, did not receive the full benefit of the higher prices now prevailing for frozen concentrate. On the other hand, many growers

who sold their crops for cash in the last 2 months of the harvest season received more than frozen orange concentrate prices will reflect for fruit, because packers paid premium prices for the oranges they could buy in April and May.

They had to pay high prices for low-acid, high-ratio oranges late in the season to blend with and utilize in can packs the bulk concentrate packed earlier which was too high in acidity, and low in ratio, for can packs.

How much of the carryover of frozen orange concentrates at the beginning of the season was held by cooperatives?

There are no available statistics on stocks held by cooperatives. Since about half of the fruit is packed by cooperatives or under cooperative plans I think about half of the frozen orange concentrate stocks held by packers at the start of the season was packed from fruit of cooperative growers.

The Florida Canners Association used November 2 as the date for computing carryover stocks at the start of last season. On that date we held (Florida Citrus Canners Cooperative) 4.9 percent of State stocks, which is about our normal percentage. November 30 would have been a better date for computing carryover stocks, as there was very little pack before then and most packers did not start production until December. On November 30, 1957, State stocks of frozen orange concentrate in retail-size cans totaled 4,512,516 gallons, compared with 4,846,774 gallons on the same date in 1956. These are normal carryovers, representing little more than a month's supply under normal marketing conditions.

Prices of frozen orange concentrate, like prices of fresh oranges, canned orange juice and chilled orange juice, are higher this year because the harvest of oranges in all United States producing areas was 22,450,000 boxes, or about 17 percent less than the year before, and because of a noticeable increase in consumer demand for all citrus products, which may have been partially due to epidemics of Asian flu in the winter months.

Florida harvested 82,500,000 boxes of oranges, compared with 93 million boxes the year before. Of the oranges harvested in Florida this past season, 53 percent were used in packs of frozen orange concentrate—about the same percentage as the year before. The 1957–58 pack of frozen orange concentrate totaled 57,184,588 gallons, of which 46,428,196 gallons were packed in retail-size cans. In the 1957–57 season the pack totaled 71,807,626 gallons, of which 59,723,256 gallons were in retail-size cans.

Last October 1 the United States Department of Agriculture forecast a production of 102 million boxes of oranges in Florida during the 1957–58 season. Then came the severe freeze on the nights of December 11 and 12, followed by other freezes the night of January 9, and the nights of February 4 and 5. Average temperatures in December, January, and February were the coldest ever recorded in Florida for any 3 consecutive months. There was extensive damage to citrus groves, many of which were killed. Most fruit crops, except those in small coastal areas, suffered some damage.

The December freeze was the first of any consequence since the start of the frozen orange concentrate industry 12 years ago. There had been a few frozen oranges processed the year before and the experience

with them was so bad the technical production people generally were of the opinion that frozen oranges could not be used for packs of frozen concentrate. So the December freeze was a great shock to every packer of this product. We, like other packers, wondered if we would be in business very long. We foresaw greatly reduced packs, critical quality problems, and spiraling costs.

The Florida Citrus Commission, a State agency administering Florida citrus laws, of which I was then 1 of the 12 members appointed by the Governor, on December 14, 2 days after the first freeze, established a regulation prohibiting the use of oranges showing more than 5 percent freeze damage in the production of frozen concentrate, which practically closed our concentrate plant the following week.

On January 1 the Commission's regulation was amended to permit the use of oranges showing not more than 15 percent serious damage, and 2 days later this tolerance was increased to 25 percent. The Commission, at that time, also adopted a regulation permitting the packing of concentrate from oranges showing more than 25 percent serious damage provided such concentrate be held in bulk containers for 45 days, after which it could be blended with new production in can packs if it met flavor and gelation and other tests of Federal inspectors for grade A concentrate. There were minor amendments to these regulations later in the season.

Immediately after the December freeze processing plants were flooded with fruit which had to be harvested as soon as possible. If daytime temperatures had gone high enough in late December or early January, freeze-damaged mid-season oranges would have fermented and could not have been used for frozen concentrate packs. If this had happened, there would have been an excessive pack of canned orange juice, which is pasteurized, and a far greater reduction in the pack of frozen orange concentrate.

Most of what was left of the midseason orange crop was harvested by February 1—at least 6 weeks earlier than usual. Valencia oranges, which usually meet maturity standards starting the first half of March, began passing maturity tests in early February, and many Valencia orange crops damaged by freezing temperatures began falling from trees. These crops had to be harvested quickly. But while they passed maturity tests their juice was not sweet enough to meet grade A standards for frozen orange concentrate. So we and other packers took this fruit and used it for bulk packs of frozen orange concentrate, to be blended with production from riper fruit later in the season.

While prices paid by processors for oranges steadily advanced almost every week of the season, they did not go higher than they did in late December, January, February, and March because of the rush of growers to harvest damaged crops and because of the gamble which packers had to take in putting concentrate from much of this fruit in bulk containers—which they could use later in can packs only if it then met quality inspection tests and if they could get enough low-acid, high-ratio fruit to blend with it.

Bulk packs of frozen orange concentrate during the season totaled 22,266,316 gallons, of which 14,519,500 gallons were blended later with new production in can packs.

The following is a comparison of stocks of frozen orange concentrate held by packers on July 12, 1958, and on the comparable date last year, as reported by the Florida Canners Association:

[In gallons]

	July 13, 1957	July 12, 1958
6-ounce cans	21, 015, 987	16, 510, 385
12-ounce cans	6, 075, 020	3, 795, 990
32-ounce cans	2, 824, 455	1, 473, 921
Bulk containers	6, 245, 873	5, 391, 534
Total gallons	36, 161, 335	27, 171, 830

Stocks in retail-size cans totaled 20,306,375 gallons this year compared with 27,091,007 gallons last year—25.4 percent less.

Most of the bulk stocks now held will be reconstituted and sold as chilled juice by packers of this product during the remainder of the year. Some bulk stocks of good color and low acidity are being held by packers to blend with early packs next season.

Florida concentrators usually start production the first half of December, but it is often mid-January before the color of juice will meet grade A standards. So concentrate can be packed in cans in December and early January only if the packer has bulk stocks of good-color blend with his early production.

Florida's 1958–59 crops will mature later than usual because cold weather and freeze damage last winter delayed the bloom. It may be January 1 before any appreciable quantity of frozen orange concentrate can be packed in cans next season, and packers who do not have bulk stocks of good color may not be able to pack in cans until the middle of January.

Assuming new packs will not be available before January 1, the industry has 25 weeks in which to distribute the 20,306,375 gallons in retail-size cans held on July 12. For practical purposes, packers' stocks would be exhausted in most markets if these stocks were down to 2 million gallons. Present stocks therefore allow for packers' sales of 770,000 gallons a week until new packs are available.

In its reports to the United States Department of Agriculture, the Market Research Corporation of America estimated that United States consumers purchased an average of 747,000 gallons of frozen orange concentrate each week in June 1958. Canadian consumers are probably purchasing from 35,000 to 40,000 gallons more each week. So at this time supply and demand appear to be in good balance.

No one is more concerned about prices of frozen orange concentrate than the packers. My fear, which I know is shared by some other packers, is that this produce may become so short in supply before next season's packs are available that prices will go to ridiculously high levels. This would be bad for packers, because it would involve costly adjustments next season. We, like other packers, are restricting sales by allocations, to avoid serious shortages later in the year.

Citrus fruits are perishables, which are always more sensitive to supply and demand changes than most other foods. A small surplus will badly depress their values, and a shortage will quickly raise their prices. What happened to citrus prices this season has happened before. When the Texas industry was almost destroyed by a freeze

in January 1950, the New York auction price of fresh Florida seedless grapefruit went from $2.63 a box to $5.29 a box. California fresh orange prices went up after the freeze we had last December—from an average, on the New York acution, of $7.26 a box in November to $10.76 a box in April.

Many Florida growers suffered heavy losses as a result of the freezes of the past winter, and some lost their groves. For most growers who had fruit that could be harvested, and was not damaged too severely, it was a profitable season.

The packers of frozen orange concentrate took a tremendous gamble in handling freeze-damaged fruit, but they were able to maintain quality standards of their products and it will be a profitable season for most of them, too. They needed a good year, as some of them have had heavy losses in recent years.

Present prices of frozen orange concentrates may seem high in comparison with the disastrously low prices which prevailed at times in recent years. But they are not higher than they should be, considering supply and demand conditions and the important food and health values of the product. The average retail price of frozen orange concentrate is now about 24 cents for a 6-ounce can, which will make four 6-ounce glasses of orange juice. So this orange juice today is costing the housewife about 6 cents a glass—which is no more than what most people have to pay these days for a cold beverage drink.

Lastly, may I remind you that citrus fruit growers have not had or wanted Government price-support programs. They have preferred to stand on their own feet and solve their own problems. They must have good years to offset the bad years they have had and will have in the future.

Mr. ANFUSO. Thank you very much, Mr. Walker.

Mr. Edwards, we will be glad to hear from you now.

Mr. MATTHEWS. Can I just emphasize this one point that Mr. Walker brought out on page 10 of his testimony, that is, for the 6-ounce can which is the popular retail can as is sold in the retail stores, you had on July 13, 1957, 21,015,987 gallons in stock and a year later you only had 16,510,000 gallons, a little over 20 percent less as I see it.

Mr. WALKER. The 2 retail sizes, 6 and 12, are about 25 percent less.

Mr. ANFUSO. Next is Mr. Edwards.

STATEMENT OF WILLIAM EDWARDS, REPRESENTING THE PASCO PACKING CO.

Mr. EDWARDS. Mr. Chairman, my statement is in the form of a letter which I will read.

JULY 18, 1958

Hon. VICTOR L. ANFUSO,
Chairman, Consumers Study Subcommittee,
House of Representatives, United States, Washington, D. C.

DEAR CONGRESSMAN ANFUSO: In relation to your letter of July 1, and the questions contained therein, I would like to state that I am executive vice president of Pasco Packing Co., located in Dade City, Fla., and in the business of processing Florida citrus fruits into canned and frozen concentrated products for sale.

Pasco Packing Co. purchases approximately 40 percent of its fruit from outside sources and obtains 60 percent of its supplies through an association with West Coast Growers Cooperative, a growers' cooperative organization, with whom

Pasco has a contract to process and sell their citrus fruits and return to them all of the moneys received less actual cost of processing at a fixed fee for the service. Therefore, Pasco sells fruit it buys for cash and cooperative fruit as well.

In your letter you asked to what extent cooperatives set the price patterns and vice versa. In my opinion, there is no particular price pattern set by either independent or cooperative processors. It is generally set by overall supply and demand situation, but, may be particularly affected by one processor having surplus supplies and inadequate sales or the contrary—inadequate supplies and excessive demand.

You also asked to what extent the increase in the retail price of frozen orange juice has been reflected back to the producer of oranges. In general, I would say that a large percent of the Florida citrus crop with its retail value has been entirely reflected to the producer. There was a short period of time after the December freeze when some growers were forced to move their fruit on a salvage basis when fruit was available at distress prices. However, no processor at this time could determine what quality of concentrated orange juice could be made from such fruit supplies available, and, the advice of the Florida Citrus Commission's technical staff was that there was serious doubt that it could be produced satisfactorily; in view of this, the Citrus Commission passed an embargo that the distressed fruit could not be placed in consumer sizes, but must be barreled and held 45 days for reexamination prior to any pack of salable sizes for consumer use to determine that the quality was entirely satisfactory and comparable to that produced in prior years. Therefore, during this distress period, purchases of fruit at distress prices could have resulted in substantial losses rather than profits. However, Pasco Packing Co., as an individual organization, in an attempt to serve its growers' cooperative, was unable to avail itself of this distress market to any consequential extent.

You also asked how much of the carryover of frozen orange concentrate at the beginning of the season was held by private processors. By private processors, I presume you mean those organizations as contrasted to cooperatives. Any opinion on this matter would be only speculative on my part since the actual records of the Florida Canners' Association are reported as overall totals and no distinction as to individual processors. However, speaking for my own company, our inventory from the prior year's operations, at the time of the December freeze, was extremely low since approximately 75 percent of our sales are made to private label buyers under contract and the price on this merchandise was firm at $1.25 per dozen on December 1, and title passed at that time. Therefore, Pasco, in effect, reaped practically no benefits from the previous year's pack and the increase in price occasioned by the freezing weather in mid-December.

You also stated that I should include any information which would be helpful to the subcommittee in its study of the recent increases in the retail price of frozen concentrated juices. In my opinion, the prices presently quoted on frozen citrus concentrates are fairly in line with the supplies available for all channels of distribution until a new crop is harvested. It actually amounts to the operation of the law of supply and demand. We have available approximately 27½ percent less concentrate than at the same period 1 year ago.

I am sending along this statement today in the hope that it will be of some information to the committee and yourself, and I will be available in Washington on Wednesday, July 23, at 10 a. m., to answer any further questions you may have on the matter.

I certainly hope that I may be helpful and will be glad to answer any questions related to the citrus business that I am qualified to answer.

Yours very truly,

PASCO PACKING CO.,
W. F. EDWARDS,
Executive Vice President.

Mr. ANFUSO. Thank you very much.

Mr. EDWARDS. Thank you.

Mr. ANFUSO. I am going to skip Mr. Martin, if you do not mind; you are here in Washington. We will hear from Mr. Hamilton and then we will hear from Congressman Vanik.

Mr. MATTHEWS. It is not often I have the pleasure of having one of my actual constituents from the northern district of Florida. I feel like I represent all of these fine gentlemen. He is from my home town of Gainesville, and I want with your permission to welcome him here and tell you that he is one of our most distinguished citizens.

I am sorry that he is not listening to what I am saying. [Laughter.]

I will repeat it again. He is one of my most distinguished citizens; and I am delighted and honored to have him here. He is a personal friend of many years past.

Mr. ANFUSO. I am sure that he will be glad to hear that.

STATEMENT OF H. G. HAMILTON, HEAD, DEPARTMENT OF AGRICULTURAL ECONOMICS, UNIVERSITY OF FLORIDA

Mr. HAMILTON. My name is H. G. Hamilton, and I am head of the department of agricultural economics, University of Florida, Gainesville, Fla. Some of the responsibilities of my department are to conduct research in the marketing of agricultural products, of which citrus fruit is our most important commodity. Research conducted by members of my staff which are most appropriate to the subject under consideration are those of the nature of the demand for citrus products.

During the summer of 1954, we conducted a study in the Trenton, N. J.-Philadelphia, Pa., area on consumer reaction to changing prices for orange concentrate. The study was conducted so as to reflect the amount of concentrate orange juice purchased by consumers at various prices. An effort was made to hold constant (or eliminate) all factors that affect the amount of orange concentrate purchased except the single factor of price.

The study revealed that the elasticity of the demand for orange concentrate varied greatly at different price intervals. When the price of orange concentrate was increased from 8.5 cents per 6-ounce can to 10.5 cents, which is approximately 23 percent, the amount of concentrate purchased decreased by approximately 29 percent. But that the interval from 16.5 cents to 20.5 cents the results were quite different. An increase from 16.5 cents to 20.5 cents is approximately 24 percent. At this level of prices, the quantity of orange concentrate purchased per 100 customers decreased less than 4 percent.

In a similar study conducted in the vicinity of Lexington, Ky., for fresh oranges the nature of the demand for fresh oranges was found to be somewhat like that for orange concentrate. That is, the demand at the upper end of the demand curve is quite inelastic. This, in layman's language, is that a small change in the supply affects the price greatly.

Apparently the price of orange concentrate at the retail level during the 1957–58 marketing season responded quite similarly to the supply-price changes studied by us under controlled test. Based on the result of the studies we have made when the uncertainty of the supply situation is considered after the freeze of this past season, it is my opinion that the relationships between price and supply were about what would be expected.

An important problem of the citrus industry after December 12, 1957, was the determination of the remaining supply of oranges. The best source of supply information is that made available by the Crop Estimating Service of the U. S. D. A. Historically, these estimates on the whole have been good. Of course, with changing weather conditions, it is necessary to change estimates as the season progresses. Some insight may be obtained from an examination of the effect that a change in supply estimates is associated with grower prices.

In the 1952–53 season, the October estimate was 81 million boxes, the December estimate was changed to 77 million boxes, and the February estimate was 73,500,000 boxes. Prices paid to growers for processed oranges increased from 56 cents per box in October 1957, to 84 cents in December, and $1.38 in February.

The October estimates for the 1954–55 season was 96 million boxes, by March the estimate was 90.5 million boxes. The price to growers in October was 78 cents, but in March it was $1.37.

In the 1953–54 season the November estimate was 79 million boxes; in February, it was increased to 86 million boxes. Prices in November of this season were $1.12 per box, and in February 97 cents per box.

In the 1955–56 season, there was no change in the estimate of 91 million boxes made in October to February. However, prices increased from $1.22 per box in October to $1.97 per box in February.

Certainly changes in price cannot be attributed altogether to changes in supply. There are many other factors that affect the price growers received other than supply. Some of these are the California supply of oranges, inventory carryover of processed citrus products, business conditions, and the quality of oranges. However, these data do show that wide price variations during a season are the usual rather than the unusual thing.

Mr. ANFUSO. Thank you very much, Dr. Hamilton.

And I might say this to all of you gentlemen from Florida—I want to say to all of you gentlemen from Florida, that you have a very fine delegation here in Congress. As a matter of fact, I know of no single delegation in Congress which is a better guardian of the interests of its constituents than the Florida delegation.

Mr. MATTHEWS. I want to thank the distinguished chairman for those words of praise.

Congressman Haley and I feel the same way.

Dr. Hamilton, just an elaboration on what you said, it is your considered judgment as a statistician of agricultural economics that the rise in prices, for the concentrate product, has been largely due this season to the supply problem in Florida, is that a correct statement?

Mr. HAMILTON. I would say that on the basis of the research that we have conducted that the price-supply relationships were about as you say.

Mr. MATTHEWS. That is all, thank you very much.

Mr. ANFUSO. Thank you again.

Now Congressman Vanik. I think we have kept you here long enough. I know you have other committees to attend.

Again I reiterate the gratitude of the committee for your patience in allowing these gentlemen from Florida to testify before you.

STATEMENT OF HON. CHARLES A. VANIK A REPRESENTATIVE IN CONGRESS OF THE 21ST CONGRESSIONAL DISTRICT OF THE STATE OF OHIO

Mr. VANIK. Mr. Chairman, first of all permit me to congratulate you and the members of your committee on the high public purpose which impels you to proceed with these hearings.

You are making a tremendously valuable contribution in bringing understanding between the tremendous agriculture-producing industry and the American consumer.

I have no particular prejudice or bias with respect to orange juice pricing. My protests on the floor of the House have gone to the price of natural gas and steel and many things that affect the people of my community.

My purpose in appearing here today is solely to urge your committee to examine into the factors which have doubled the retail cost of orange juice concentrate within the past year. This 100 percent increase in the retail cost of orange juice came at a time when most consumer families were suffering a reduced workweek and reduced incomes.

To the average family orange juice is an almost essential food—not easily substituted. The increased cost of orange juice concentrate struck the American home with an impact which deserves your careful consideration.

The fact that the production of oranges and citrus fruits do not rely consistently on Federal aid does not exempt them from your committee's scrutiny and consideration, because your work extends to the whole subject of agriculture in and out of support programs. You may well discover that the sufficiency of production under support programs insure adequate supplies at lower consumer prices which may well offset a substantial part of the cost of support.

My family seems to operate with an almost complete unawareness of rising prices. We buy nectarines when they are 25 cents apiece. They are imported. My family develops an appetite for grapes from South America. At the time the orange juice parleyed itself into the highest price the family appetite seems to double.

One of my purposes in making my statements to the House of Representatives was to give the housewives, including my housewife who occasionally reads the Congressional Record, a picture of the skyrocketing prices.

In a statement in the House of Representatives on June 3 of this year, I pointed out that it was the practice for several large orange juice processors to purchase the crop early in the season, before harvest or crop damage—the price received by the producer being generally between $1.68 and $2 per box. Through this arrangement, the producer receives a guaranteed contract price for his crop and the processor, his supply for processing.

Now just how does a crop damage affect each party to this contract? If the crop suffers a 20-percent damage, the grower applying the same investment and work has 20 percent less crop to sell at $1.65 or $2 per box, and he ends up with a terrible year.

I have sympathy with those growers in their areas who have this problem.

The processor, however, receives 20 percent fewer oranges at $1.65 to $2 per box and then has to negotiate with the few producers he has not previously covered by contract and has to purchase his extra needs at the higher prevailing prices.

The hitch is that few "independent" orange producers are left outside the preharvest contracting. The publicized higher market prices for oranges after last winter's freeze were for the greater part paid for by the unencumbered portion of the orange crop—that portion of production owned by processors who were also producers.

The small producer under contract received $1.68 to $2, his contract price, while the whopping $4.48 per box price was charged by

the processor-producers for that part of the orange crop they purchased from themselves in profitable self-dealing.

The facts are these. Marketing experts at the Department of Agriculture agree that the orange crop of this year is smaller. The Florida crop was blighted by frost and extraordinary cold. I accept the figure that this caused a 20 percent cut in the crop. Although concentrators have packed 57 million gallons of concentrate this year as against 72 million gallons last year, a 20 percent decrease, the concentrators have more concentrate in their warehouses today than they did in 1957. What's more, they have shipped almost as much to the retail markets.

If the law of supply and demand was in normal operation, the adequate supply of orange concentrate on hand should serve in some measure to contain retail prices—the crop damage notwithstanding.

To what factors can we contribute the spiraling price of orange juice? One year ago I purchased my favorite chainstore brand at six 6-ounce cans for 59 cents.

During the past July, prior to this one, the price was about the same—about 10 cents a can.

Today the same brand sells at three 6-ounce cans for 79 cents—a retail price increase of 267 percent. A more expensive brand, which sold last year for 17 cents a 6-ounce can, sells today for 33 cents—a price increase of 194 percent.

If the law of supply and demand justifies or explains away such price increases on a 20 percent crop failure where supplies of concentrate on hand are substantially the same as they were a year ago—the law should be appealed or repealed.

In other parts of the country the price squeeze has been even greater. A lady in Centerville, Iowa, advises me she is now paying 57 cents per can—over 25 cents a year ago. A consumer in Winter Park, Fla., in the heart of the orange groves complained to me that her price has increased from "9 tins for a dollar" to 4 tins for a dollar. On her complaint the store manager told her that all the concentrators had "agreed" on the higher price.

Although the citrus crop suffered a 15 to 20 percent failure it is significant that seasonal cannery receipts went up, 2.01 percent ahead of last year. It is further important to consider that notwithstanding the crop loss, the concentrators were permitted to use several million cases of damaged fruit because of a discovery which allowed this fruit to be used without loss of flavor or nutritive content.

It is further significant that one leading concentrator boosted its profits from $380,000 net for the first 6 months of 1957 to $1,285,000 this year. Another citrus processor increased its net income per share for the 6 months ending May 4 of this year by 1,620 percent over 1957. This is business at its very best. I'm not opposed to profits—but at this level—it seems there are some sins involved.

At least the orange juice processors have developed a price and profit propellent which drives to new horizons in keeping with the space age. This propellent talent would serve us better at Cape Canaveral.

As an individual Member of Congress, I have not the means of extensive investigation of the unreasonable pricing of orange concentrates. These means are well within your control. The Antitrust Division of the Department of Justice filed a complaint on September

5, 1955, against one of the leasing processors, the Minute Maid Corp., charging it with a violation of section 7 of the Clayton Act because of its acquisition of the juice concentrate business of the Snow-Crop division of Clinton Foods.

In that determination, the Minute Maid Corp. was ordered to divest itself of certain frozen juice concentrate facilities. Whether the letter and spirit of that order is being followed today is not within my present knowledge and should be within yours.

These are some final questions I hope you can get resolved: Why have consumer prices for orange juice multiplied when processed juice on hand or under the control of processors in 1958 was equivalent to that of 1957?

What portion of the producers orange crop destined for processing is acquired at the preharvest pricing?

With a 15 or 20 percent crop failure, how many boxes of oranges would have to be acquired at the higher price levels prevailing after the cold damage of this season?

With respect to the higher prices of citrus after the crop damage, what portion of that processed was acquired from processors who are also producers?

Of the purported 51 processors of orange juice, today there are less in the estimate.

What percentage of production is enjoyed by the top 5 and the remaining 46?

What agreements exist or what forces operate between processors to insure a glaring lack of competition among the processors?

I am indeed grateful for the time of your committee and hope that I can make a return visit when my current research in this problem has been completed.

It is my further understanding that the price of orange juice was scheduled for two increases during the past fall months. I am happy to learn that these increases have not taken place. It is my hope that certainly the price of this important household commodity will not get any higher.

Mr. ANFUSO. Thank you very much, Congressman Vanik. I might say for the record that you were one of the first to bring this matter to our attention and I can assure you that we will look into it rather carefully.

Mr. VANIK. Thank you.

Mr. MATTHEWS. I would like to tell our colleague I enjoyed his statement. There are some facts that I am sure he agrees there will be honest differences of opinion about.

And I wish that he would help me do something about the price of watermelons. We pay 50 cents a slice for watermelon in the House restaurant and we cannot give them away down in my district.

I know how pertinent this problem is. I know that the gentleman is very sincere. I know he, also, realizes that these men here this morning representing the citrus industry have given, I think, some very excellent statements and I hope that we can get the facts on the record that will be helpful.

Mr. VANIK. I hope he can join me in an embargo of the House restaurant. On my way home I can buy a melon for a dollar.

Mr. MCINTIRE. Mr. Vanik, do you have a copy of Mr. Well's statement?

Mr. VANIK. Yes, I have a copy of it.

Mr. MCINTIRE. Thank you very much. His materials are rather complete and they cover a great many things relating to the points to which you have referred.

Mr. VANIK. Yes.

Mr. MCINTIRE. I wanted to make sure that you had a copy for analysis.

Mr. VANIK. That statement is basic and I have it. I am happy to have been here to have heard it. I want to say this gentlemen, that there are still a great many questions that remain unanswered with respect to the control of the crop in the field.

Mr. ANFUSO. Thank you very much again.

Now, Mr. Martin.

You have a statement here, I believe. May I say this to you: We have just received the first call of the House. I doubt very much whether we can hear the whole statement.

I would suggest that we allow it to go into the record in its entirety and you give us the highlights, please.

STATEMENT OF LAWRENCE S. MARTIN, NATIONAL ASSOCIATION OF FROZEN FOOD PACKERS

Mr. MARTIN. Yes. You will notice that this paper was accompanied with exhibits.

You have had a very good outline of the concentrate picture as it relates to production and prices. So I will just forgo dwelling on that any further.

Mr. ANFUSO. Thank you very much.

Mr. MARTIN. I would like to call this to your attention, to exhibit C here which applies to the general overall picture which you requested me to present.

The table compares typical advertised prices of 14 representative frozen foods, taken from 14 daily newspapers in 7 major cities. Advertisements for both chains and independent stores were included, also, given proportionate weight to national brands and private label products.

You will see seven cities are included and the period covered for the survey was the week of May 14, 1953, and the week of May 5, 1958.

And you will see the list here in this exhibit C of frozen products in size. Actually the total here of the cost for 1953 for these items was $2.90, as against $2.61 in the like period of May 1958, or a reduction of 29 percent.

That about covers the balance of the picture.

Mr. ANFUSO. Will you stop right there?

Mr. MARTIN. Yes.

Mr. ANFUSO. Dr. Wells, do you have a copy of this exhibit C?

Mr. WELLS. Yes; I have.

Mr. ANFUSO. Does it conform to your analysis or would you want to look it over first?

Mr. WELLS. I have just seen it. I certainly have no reason to question Mr. Martin's tabulation as of now. Mr. Martin's reported average of advertised prices for frozen orange concentrate (6-ounce) is 21.3 cents for May 1958. This seems reasonable and compares with our estimate of average costs to all households of about 22.5

cents for the same months assuming stores tend to advertise their bargains somewhat more often than their standard priced items.

Mr. ANFUSO. I appreciate that. I thought you would want to comment on it. Thank you.

All right, Mr. Martin.

Thank you again.

Mr. MARTIN. Yes.

Mr. ANFUSO. I want to thank you again for the splendid cooperation you have given.

(The prepared paper and exhibits are as follows:)

STATEMENT OF L. S. MARTIN ON BEHALF OF THE NATIONAL ASSOCIATION OF FROZEN FOOD PACKERS, WASHINGTON, D. C.

My name is Lawrence S. Martin. As secretary-manager of the National Association of Frozen Food Packers, I am appearing at the request of the chairman on behalf of the frozen foods industry.

The National Association of Frozen Food Packers is a voluntary, nonprofit association organized to promote, protect, and represent the interests of the American frozen foods packing industry. It engages in such typical association activities as scientific research, statistical reporting, public and industry relations, and Government liaison on behalf of its members.

The association's membership is composed of 125 packers of frozen foods, representing approximately 70 percent of United States production of frozen fruits, vegetables, juices, and prepared foods. These packers, some of whom also pack frozen meats, poultry, and seafoods, operate plants in some 27 States nationwide and are engaged in marketing frozen foods in every State and Territory of the United States and in foreign commerce.

This statement will concern itself principally with a broad description of the industry's development and present position with emphasis on prices and spreads applying to the frozen foods industry as a whole.

Ours is a relatively young industry—barely 25 years old. Its expansion to a major factor in the overall food industry has been quite spectacular. But because of many unusual requirements in transportation, storage, display, and use, expansion has not come easily. An entirely new marketing structure had to be developed for these products. An entirely new consumer education program was necessary.

In the industry's early days—during the 1930's and 1940's—frozen foods were generally regarded as expensive. They were, essentially, luxury items. For it is true that extraordinary capital requirements of packers, wholesalers, warehousemen, railroads, truck lines, and retailers who wished to engage in this new business—plus limited technology and almost primitive equipment—made it necessary to attach premium price tags to these products.

Adding to this impression that frozen foods were expensive was the fact that consumers did not realize they were buying food which was 100 percent free of waste, plus much built-in convenience. Since this was a new idea to them, they could not understand that they were paying only for the edible portion of the product and many kitchen services.

Technological development, production skills, and consumer education were necessary to combat this early reputation, and it was achieved by the packers—individually and collectively—through research, advertising, and promotion at considerable expense and effort.

It was necessary, for example, to mechanize farms and develop improved seeds and fertilizers for maximum yields, to perfect efficient plant machinery and packaging materials, and to train personnel all the way from the plants to the retail stores.

And it was necessary to combat many misconceptions regarding frozen foods. A specific example of this was the misinformation being disseminated—even by doctors—on the health aspects of frozen foods. Many people believed that when food was frozen it lost nutritional value. This unquestionably impeded sales. It cost the industry a quarter-of-a-million dollars and 5 years' time to underwrite an independent research program which proved the exceptional nutritional properties of its products.

I bring up these points to illustrate some of the unusual roadblocks which stood in the way of frozen food growth and which required a great deal of time, effort, and money to surmount.

In more recent years the road has been considerably smoother with respect to the mechanics of frozen food production and marketing. And frozen foods have assumed an important role in the Nation's economy and in the standard of living of its citizens.

It is common knowledge that the advent of quick freezing was the salvation of two industries which only a few years ago were deep in the doldrums—namely, the citrus industry and the fisheries industry. It has had marked effect on agriculture in areas such as the Northwest, the Middle Atlantic, and California.

The effect of frozen foods has also been strongly beneficial to such industries as household appliances, transportation, packaging, warehousing, restaurants, and institutions.

Most dramatic, however, has been the effect of frozen foods on our way of life, for they are giving a whole generation of women new freedom, time, and leisure to enjoy fuller, more worthwhile lives. And they have been a substantial factor in raising this Nation's food standard of living to unparalleled heights.

This age of better eating has been reached without the disproportionate strain on family budgets that has characterized some other household expenses. For instance, Labor Department figures show that the average factory worker has gained almost an hour of food purchasing power since 1952. Where in 1952 a typical worker spent 5 hours and 41 minutes earning a representative bag of 20 food items costing $9.17, it took him only 4 hours and 44 minutes last April to earn the same food.

According to the Department of Agriculture, the frozen foods industry today represents a five-and-a-quarter billion dollar investment. It has annual sales of more than $2 billion. Its products comprise upwards of 5 percent of supermarket food sales. Production in 1957 exceeded 5 billion pounds of ready-to-use food—2½ times the pack of 1950.

As well as can be determined, the frozen foods packing industry in the United States is composed of slightly more than 900 companies (exhibit A) in all product categories. Included, however, are a number of small, marginal producers who do not necessarily engage in freezing each season.

I have already mentioned that the 125 packers who are members of the National Association of Frozen Food Packers account for an estimated 70 percent of total production of the more familiar retail products. But a more accurate breakdown can be compiled from those who pack frozen fruits and vegetables—two categories for which we have reliable statistics over a period of years. This shows that 12 leading producers account for considerably less than half of total fruit and vegetable production—43 percent to be specific. The successful existence of many other packers in the field, accounting for 57 percent of production, maintains a highly competitive climate.

This is typical of other product categories.

With that general picture of the industry, it is possible to evaluate better the trends in frozen food pricing—and the matter of price spreads—over the years.

Price spreads are generally understood to be the difference between the price paid to the farmer for raw material and the price paid by the consumer for the product in the form in which he buys it. But price spread is actually a payment for a series of values added to a basic commodity by processing, packaging, and distribution. Price spread is the sum of costs of research, manufacturing, transportation, warehousing, wholesaling, and retailing.

Spread helps expand markets for farm products and provides valuable services to consumers. It is a positive, value-adding, market-building force of benefit to all. It is a moving factor in the expansion of our economy by the creation of demand for goods and services. In the case of frozen foods, much of the work of meal preparation has been transferred from the kitchen to the manufacturer's plant. The result is to provide the consumer with foods offering the ultimate in nutritional value, maximum convenience, and minimum waste. The growers' market is expanded to a full 12-month basis. And the Government benefits from additional tax revenues generated by price spread functions, without which none of this would be possible.

We have been able to assemble price-spread data for four representative frozen commodities. I believe the information shown in this analysis to be typical of our industry and I am sure it will be helpful to your investigation. I invite your attention to exhibit B.

In the 6 years between 1951 and 1957, the analysis shows the price spread for the 4 frozen products—peas, baby lima beans, spinach, and corn—to have increased only 1.9 percent. This compares with an increase of considerably more than 10 percent in the price spread reported by the Department of Agriculture for its market basket of foods.

This hold-the-line on spreads is supported by Agriculture Department statistics which show that between 1953 and 1956 the spread between what the farmer gets and what the consumer pays for frozen peas, green beans, orange concentrate, and strawberries has actually decreased 3.2 percent.

I believe this is particularly interesting in view of the fact that these frozen products are processed and prepared for consumer use to a far greater extent than most other foods and require expensive, specialized equipment in their marketing channels.

To my mind, the extremely favorable comparison of production and marketing costs reflected in the anlysis (exhibit B) is a credit to the increased efficiency of packers and their suppliers and agents in the face of steadily rising costs.

In recent months many food industry representatives have voiced criticism of the cost-of-living index of the Bureau of Labor Statistics as it relates to food. One argument is that it does not take into account a representative number of foods to give an accurate picture.

This certainly is true of frozen foods where only four products—all of them fruits and vegetables subject to the typical fluctuations of any agricultural commodity—are included. One of these is frozen orange juice concentrate which, because of the numberous Florida freezes last winter, has shown a considerable rise in price in recent months. This, very naturally, distorts the overall frozen foods index as reported by the Bureau.

I submit as exhibit C a table of prices which compares the first week of May 1958 with the first week of May 1953—a period of 5 years. These are averages of advertised prices of 14 basic frozen foods offered by grocers in 7 major United States cities.

This table shows that in a period when total food prices were rising 8½ percent, according to the Bureau of Labor Statistics, prices of these 14 basic frozen foods were declining an average of 9 percent. It should be noted that frozen orange juice concentrate is included in this list.

These figures are supported by the results of a survey made by an industry publication for a similar 5-year period. This report covered 46 cities and 27 frozen goods. It showed 1958 frozen food prices to be 18 percent lower than in 1953.

Since a subject of special interest here is that of frozen orange juice concentrate, I would like to bring out a point reported by the Department of Agriculture this month. While prices of frozen orange concentrate have risen sharply between December 1957 and March 1958 due to the Florida freezes, the Department reports that a serving of frozen juice is still less expensive to the consumer than juice squeezed from fresh oranges.

And Labor Department figures for last April show that it took the average factory worker only 7 minutes to earn a can of frozen concentrate. This was exactly the same as in August 1952.

Several factors have contributed to the downward trend in consumer prices of frozen foods. Exceptionally keen competition within the industry and from the canning and fresh food industries, mass production and mass marketing, and technological advancements all have played a part.

At the same time, this trend has placed a severe financial burden on the industry. This was pointed out in a recent study by the Department of Agriculture of the capital requirements of the frozen foods industry.

This report estimates the total capital investment for all frozen food packing plants to be around $1 billion in 1957, having increased at the rate of 10 percent per year during the years of the industry's rapid expansion.

It further reports that because large retail buying units take delivery of frozen foods as they need them, rather than at the time the foods are processed, the burden of financing large inventories of around one-half of their annual production during most of the year is placed on the packer.

Now a brief mention of the profit picture. If, as suggested by the net-profit-after-taxes figures given in exhibit B, frozen food packers were averaging between 2.3 percent and 2.8 percent since 1951, such profit ratios are well below those reported by the Department of Agriculture for other food processing companies.

The Department's figures show—for 31 processors of baked goods, canned goods, dairy products, sugar and corn products, vegetable oils, and a wide variety of packaged foods—net profits after taxes averaging between 2.9 percent and 3.1 percent, as much as 28 percent greater.

The combined effects of these conditions on the stability of the frozen foods industry have been apparent in the past 2 years. Many companies, even some of relatively large size, have had to embark on programs of retrenchment in the areas of finance, production, and marketing.

This inquiry places special emphasis upon the frozen orange concentrate situation. This is a relatively new product and one which has experienced dramatic growth. In fact, more oranges are now consumed in this form than all other forms combined. To best explain the factors involved, let me draw your attention to exhibit D.

This is a tabular presentation of production, supply, and movement of frozen orange concentrate by years since 1949 when it became commercially available. Note the steady increase in per capita consumption through 1957. Note also the corresponding increase in supply each year to support this consumption. Annual supplies shown here are the totals of carryover from the preceding year plus production during the current year. Year-end stocks, carried over into the next year's supply, averaged 20 percent of supply for their production year, through 1957. This volume appears necessary to support a desirable rate of increased product consumption.

The series of freezes in Florida this past season is now sad history. I will leave it for witnesses closer to that situation to explain just what the current and long-range effects of that catastrophe are. But still referring to exhibit D, I draw your attention to the fact that the resulting sharply curtailed production, plus a comparatively low carryover, reduced this year's supply nearly 20 percent from that of last year.

Now, some question has been raised about the increase in retail prices of frozen orange concentrate. According to Department of Agriculture figures the average retail price per 6-ounce can dropped from around 17 cents a year and a half ago to a low of about 13 cents in June 1957. Since then, the price rose to about 22 cents in April of this year. Perhaps other witnesses will have more specific data. But let me make two points.

(1) The very subnormal prices of a year ago resulted because packers needed to sacrifice their holdings to make room for the incoming pack. Inspection of financial statements of some of those companies published in the business press clearly reflect the adverse effect of this involuntary sacrifice.

(2) Processors have been required to pay growers nearly three times what they paid last year for the raw product. According to a recent report of the Department of Agriculture's Crop Reporting Board the per-box price of oranges was $3.73, $3.98, and $3.71 for the months of April, May, and June, respectively. This compares with the June 1957 price of $1.33 and the 1947–49 average of $1.23.

In central Florida—an area which accounts for virtually all of the Nation's frozen orange concentrate production—such an extreme rise in raw material cost has affected all of the twenty-odd processors operating there. Thus, it should occasion no surprise that there be some similarity in the effect of the rise on packer prices. This is especially true in view of two other facts:

(1) Production and marketing methods and costs of Florida processors are for the most part similar and leave little room for absorption of the higher raw product cost.

(2) Department of Agriculture studies demonstrate that frozen orange concentrate consumption varies inversely with price to some degree. With the present precariously low inventory level and the expectation of below-normal production next season, it is the hope of the industry that this factor will operate to extend the low supply and prevent development of any out-of-stork situations.

A year ago, when stocks were abnormally high and packers were forced to slash prices in the highly competitive market, Florida concentrators were losing money. All that present prices signify is that the processors are presumably once again meeting their costs—which, I again emphasize, include raw material costs triple those of a year ago.

It seems clear that frozen foods have done more than their part in recent years in maintaining—and even reducing—price levels to the consumer consistent with the quality and convenience which are built in, and consistent with the extraordinarily high capital investment requirements of this relatively new and complex industry.

At the same time, no evidence has been forthcoming that the spread between prices paid to farmers for raw material and frozen food prices at the retail level have materially increased. Indeed, as reported earlier, the Agriculture Department indicates that marketing margins for four representative products have actually decreased.

Further, in the case of frozen foods, we believe that the dangers inherent in the use of percentages are manifest, in view of the industry's spectacular expansion. The use of percentages to measure the economic well-being of farmers who supply this industry may give an entirely wrong picture, since a constant or

even diminishing percentage of a growing total can be preferable to an increasing percentage of a diminishing total.

Another point to remember is that frozen foods are an example of a phenomenon everywhere apparent in the United States—the trend to all types of convenience foods, with much of the preparation and often the cooking done before homemakers receive the products. Prepared cake mixes, frozen pies and dinners, concentrated juices, prepackaged produce—all involve greater manufacturing and packaging costs.

The consumer value added by the manufacturer simply has been increased.

However, surprisingly little of the cost of this added value is passed on to the consumer. Last year the Department of Agriculture reported that a typical home-cooked meal for 4 persons required 5½ hours to prepare. A similar menu from partially prepared frozen foods took about 3 hours and 12 minutes. When ready-to-serve frozen items were used the time required was little more than an hour and a half.

In terms of dollars and cents, the Department concluded that homemakers were getting the convenience of partially prepared foods for 37½ cents per hour for the extra labor—and the extra convenience of ready-to-serve foods for 46 cents for each hour of labor saved. In other words, when preparing a meal from scratch, a homemaker is working for considerably less than the legal minimum wage.

In summary, we believe that the frozen-foods industry has contributed materially to increased markets for agricultural and sea foods, to the economic well-being of farmers, commercial fishermen, and other producers, to the expansion of opportunity in the industries which supply materials, equipment, and services for frozen-food production and marketing, and to the distributive trades.

We believe that the frozen-foods industry has been a prime factor in permitting Americans to eat better for less money. Based on Labor Department statistics, the National Association of Food Chains shows that typical families could eat the same food today as they did 20 years ago, but it would cost them only 16 percent of their incomes today instead of the 25 percent of the 1935–39 period.

But they won't do it. They want the convenience, variety, and quality of the newer products. And so they continue to spend approximately 25 percent of their incomes for food—and eat better than ever.

Finally, we believe that the frozen-foods industry has made these contributions to our economy and our standard of living while adhering to practices which would reflect credit on any well-run, expanding, and responsible business.

EXHIBIT A

COMPOSITION OF FROZEN FOODS INDUSTRY

The frozen food packing industry in the United States is composed of slightly over 900 companies in these product categories:

Fruits, berries, and vegetables	400
Frozen juice concentrates	30
Meat and meat products	100
Seafood	75
Poultry	160
Prepared frozen foods	200

NOTE 1.—The total of this listing exceeds the actual number of companies in the industry because some firms pack products in more than one category. It should also be noted that there are a number of small, marginal producers counted above who do not necessarily engage in freezing each season.

NOTE 2.—It is of interest that in the case of fruits and vegetables—a category for which we have compiled highly reliable statistics over a period of years—a dozen firms account for about 43 percent of total production. However, the successful existence of the many other packers in the field maintains a highly competitive climate. This is typical of the other segments of the frozen food industry.

EXHIBIT B

Price spread analysis of 4 typical frozen foods

	Green peas		Leaf spinach		Baby limas		Cut corn	
	1951	1957	1951	1957	1951	1957	1951	1957
Dollars per 10-ounce package—								
1. To farmer for product	0.037	0.033	0.019	0.013	0.058	0.059	0.037	0.026
2. To frozen-food processor [1]	.112	.101	.111	.122	.158	.134	.121	.111
3. To wholesaler and retailer	.021	.026	.023	.011	.017	.044	.011	.036
4. Consumer paid	.170	.160	.153	.146	.233	.237	.169	.173
5. Total price spread (item 4 less item 1)	.133	.127	.134	.133	.175	.178	.132	.147

[1] From this (item 2 above) was paid by the processor:

	Green peas		Leaf spinach		Baby limas		Cut corn	
	1951	1957	1951	1957	1951	1957	1951	1957
Transportation:								
Inbound	0.003	0.002	0.001	0.001	0.003	0.004	0	0
Outbound	.010	.014	.012	.018	.011	.017	.010	.013
Packaging materials and supplies	.022	.019	.019	.022	.024	.019	.024	.018
Wages and salaries (except executive)	.036	.024	.039	.032	.049	.032	.041	.024
Executive salaries	.001	.001	.001	.001	.001	.001	.001	.001
Advertising and promotion	.006	.009	.005	.009	.006	.009	.007	.009
Warehousing	.009	.010	.009	.007	.011	.012	.010	.010
Other business expense	.015	.015	.013	.015	.018	.015	.016	.014
Federal, State, and local taxes	.008	.005	.009	.010	.023	.015	.009	.013
Net profit	.003	.002	.004	.007	.013	.010	.003	.009

It is believed that the following comments on the distribution of processor costs (item 2 of the foregoing analysis) will be helpful.

Transportation

Freight rates have increased steadily since 1951 through 1957. This is reflected in outbound transportation costs shown. However, processors were able during that period to decrease inbound transportation costs (of the raw material) by strategic location of production facilities as the industry has grown and multiplant operations developed.

Packaging materials and supplies

Reduction in this item of expense has decreased over the period 1951–57 because the substantial increase in volume of frozen food production made possible savings through mass purchasing and improved technology.

Wages and salaries (except executive)

In recent years, labor costs per unit of product have not increased as rapidly as wage rates because output per man-hour has increased. According to a USDA study, labor costs per unit of product marketed in 1956 had increased by 30 percent while hourly earnings of food marketing workers had increased by 50 percent, as compared with the 1947–49 base. This is largely the result of application of assembly line techniques and the introduction of automatic production machinery and improved materials handling equipment.

Executive salaries

No measurable change.

Advertising and promotion

This item of expense has increased for two logical reasons. The growth of this new industry has required appropriate promotion to bring the many advantages of its products to the attention of the consumer. Also, increased advertising has been part of the answer to meeting the increasingly keen competition within this industry.

Warehousing

Negligible change has been observed in this expense. Minor fluctuations are due to grographical location and seasonal aspects of the commodities involved.

Other business expense

Negligible change observed due to reasons given above.

Federal, State, and local taxes

The fact that this item of expense has not increased in proportion to the general level of tax rates is due to strategic location of new production facilities to take advantage of any possible tax relief, in keeping with the general trend to maximum operating efficiency.

Net profit

These four commodities showed a slight average increase in net profit during the period 1951–57. This was due largely to economies effected through improved operating efficiencies and the steadily increasing volume of production. Fluctuations of net profit on individual commodities resulted from seasonal factors affecting volume of pack and resultant supply.

EXHIBIT C

FROZEN FOOD PRICES, 1953–58

The table below compares typical advertised prices of 14 representative frozen foods taken from 14 daily newspapers in 7 major cities. Advertisements for both chainstores and independent stores were included. Also given proportionate weight were national brands and private label products.

The seven cities were New York, Minneapolis, Atlanta, Chicago, San Francisco, Seattle, and Denver.

Periods covered by the survey were the week of May 4, 1953, and the week of May 5, 1958.

Frozen product and size [1]	Average price May 1953	Average price May 1958	Difference in 1958	Price index [2]
Strawberries (10 ounces)	$0.267	$0.218	4.9 cents less	81
Green beans (9 ounces)	.199	.183	1.6 cents less	92
Peas (10 ounces)	.173	.154	1.9 cents less	89
Orange concentrate (6 ounces)	.152	.213	6.1 cents higher	140
French fried potatoes (9 ounces)	.197	.158	3.9 cents less	80
Corn (10 ounces)	.182	.180	0.2 cents less	99
Lima beans (10 ounces)	.252	.203	4.9 cents less	80
Cauliflower (10 ounces)	.232	.238	0.6 cent higher	102
Broccoli (10 ounces)	.218	.210	0.8 cent less	96
Spinach (10 ounces)	.164	.157	0.7 cent less	96
Lemonade (6 ounces)	.171	.115	5.6 cents less	67
Chicken pot pie (8 ounces)	.311	.206	10.5 cents less	66
Mixed vegetables (10 ounces)	.197	.207	1 cent higher	105
Peas and carrots (10 ounces)	.188	.163	2.5 cents less	87
Total	2.90	2.61	29 cents less	[3] 91

[1] Where necessary, 1953 sizes adjusted to 1958 sizes.
[2] May 1953=100.

Source: Survey conducted by the National Association of Frozen Food Packers.

EXHIBIT D

Frozen orange concentrate production, supply, and movement situation

[Data in thousands of gallons]

Year (as of Jan. 1)	Beginning stocks	Production	Supply	Ending stocks		Disappearance	Per capita consumption
				Thousand gallons	Percent of supply		
							Pounds
1949	[1] 1,000	12,196	12,796	1,730	16	11,066	0.9
1950	1,730	25,137	26,867	6,001	22	20,866	1.4
1951	6,001	34,938	40,939	9,920	24	31,019	1.8
1952	9,920	47,743	57,763	10,293	18	47,470	3.0
1953	10,293	51,264	61,557	12,476	20	49,081	3.3
1954	12,476	66,978	79,454	13,998	18	65,456	3.5
1955	13,998	68,558	82,556	15,200	18	67,356	4.0
1956	15,200	74,061	89,261	18,769	21	70,492	4.0
1957	18,769	75,067	93,836	18,238	19	75,598	4.3
1958	18,238	[2] 58,100	76,338	[3] 11,088	15	[3] 65,250	[4] 3.8
1959	11,088						

[1] Not available; estimated.
[2] Preliminary, USDA.
[3] NAFFP estimated (USDA data).
[4] Estimated, USDA.

Mr. MATTHEWS. May I ask permission for my colleague, Congressman Haley, to insert a statement for the record?

Mr. ANFUSO. You may.

Permission is granted to Congressman Haley to submit a statement which will be inserted in the record at this point.

(The statement is as follows:)

STATEMENT OF HON. JAMES A. HALEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman, it is a pleasure to appear before this distinguished committee of the House. The testimony presented this morning has been most enlightening. A true picture of what has happened during the 1957–58 citrus season in Florida was presented by the United States Department of Agriculture and Florida witnesses. However, I should like to point out that my distinguished colleague of Ohio has made some statements and asked some questions which do not reflect actuality. I would like to take this opportunity to clear up these statements and answer his questions.

He said, for example, that Florida packers have as much frozen orange concentrate in their warehouses today as they had a year ago. The fact is that stocks in retail-size cans are more than 25 percent less than a year ago.

He said packers purchased most of the oranges they processed from growers at low prices before the freeze. Actually, packers had purchased only a small percentage of the oranges they used before the December freeze. The prices they paid growers for all oranges they purchased during the season are accurately reported by the Florida Canners Association. These public records completely disprove the allegation.

The gentleman from Ohio gave some figures on retail prices of frozen orange concentrate which are highly misleading. His examples of very high retail prices must be isolated examples found in small, remote stores—much higher than the retail prices of most stores, as shown by the weekly reports of the United States Department of Agriculture.

The testimony of witnesses from Florida adequately disproves any allegation of "a glaring lack of competition among the packers." The gentleman from Ohio offered no proof whatever of such a charge. The facts show there is probably more intensive competition among Florida packers in selling frozen orange concentrate than is found in many other food industries.

I will now attempt to answer specific questions raised by the gentleman from Ohio.

Question. Why have consumer prices for orange juice multiplied when processed juice on hand or under the control of processors in 1958 was equivalent to that of 1957?

Answer. Juice stocks on hand and under the control of processors in 1958 are not equivalent to those in 1957, as Government and industry reports clearly show. Stocks in retail-size cans today are 25.4 percent less than a year ago.

Question. What portion of the producers orange crop destined for processing is acquired at the preharvest pricing?

Answer. Only a small percentage of the oranges used for frozen orange concentrate packs during the 1957–58 season were purchased before the December freeze—probably less than 10 percent. Many of the crops which packers had purchased were destroyed in the freezes.

Question. With a 15 or 20 percent crop failure, how many boxes of oranges would have to be acquired at the higher price levels prevailing after the cold damage of this season?

Answer. Most of the oranges purchased for frozen orange concentrate packs were bought by packers after the December freeze, at steadily advancing prices to growers for the fruit. Most growers with undamaged crops refused to sell them until later in the season, when packers had to pay premium prices for them to complete their packs.

Question. With respect to the higher prices of citrus after the crop damage, what portion of that processed was acquired from processors who are also producers?

Answer. Private firms packing frozen orange concentrate produce not more than 10 percent of the oranges used in Florida packs of frozen orange concentrate.

Question. Of the purported 51 processors of orange juice, what percentage of production is enjoyed by the top 5 and the remaining 46?

Answer. While there are 51 licensed processors of citrus products in Florida, there were only 20 packers of frozen orange concentrate in the 1957–58 season. The five largest packers are cooperatives or private firms which pack most of the fruit they handle for cooperative associations of growers on a cooperative basis.

Question. What agreements exist or what forces operate between processors to insure a glaring lack of competition among the processors?

Answer. There has been no indication whatsoever of any agreements between processors to lessen their competition with each other, and there is abundant evidence of strong competition between them in the sale of their products.

I would urge the Congressman from Ohio to read and study carefully the testimony presented at this hearing by witnesses from the United States Department of Agriculture and by Florida citrus growers and processors. The record clearly shows that the present price pattern of Florida citrus is a reasonable result of the operations of the law of supply and demand.

Mr. ANFUSO. We will stand in recess.

(Whereupon, at 11:50 a. m. the committee recessed.)

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